



Daily Report

China

FBIS-CHI-93-193
Thursday
7 October 1993

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FBIS-CHI-93-193

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General

Foreign Ministry Holds Weekly News Briefing

Spokesman on Nuclear Test

OW0710105893 Beijing XINHUA Domestic Service in Chinese 0935 GMT 7 Oct 93

[By reporter Xin Huaishi (6580 2037 2514)]

[Text] Beijing, 7 Oct (XINHUA)—Foreign Ministry spokesman Wu Jianmin pointed out today that China has always adopted an attitude of exercising great restraint [chi shi fen ke zhi de tai du 2170 0577 0433 0344 0455 4104 1966 1653] toward the nuclear test issue, and that "it is unfair to use a magnifying glass to observe China's nuclear test."

At a news conference held this afternoon, a reporter asked: Some countries expressed regret over China's conducting a nuclear test. What are your comments on this?

Wu Jianmin said: China has always adopted an attitude of exercising great restraint toward the nuclear test issue. The number of nuclear tests conducted by China is the lowest among the five states with nuclear capabilities. It is unfair to use a magnifying glass to observe China's nuclear test. China fully understands the sincere desire of the broad masses of nonnuclear states for an early conclusion of the "Comprehensive Nuclear Test Ban Treaty" through negotiations, believes that the conclusion of such a treaty has its positive significance, and will take an active part in the negotiation process. However, meanwhile, we believe, while the conclusion of the treaty mentioned above is under negotiation, negotiations by all the nuclear-weapon states and the conclusion of an international convention banning unconditionally the first use of nuclear weapons and the use and threat of use of nuclear weapons against nonnuclear states and nuclear-free zones has even greater significance.

Policy on Russian Ties 'Unchanged'

OW0710093693 Beijing XINHUA in English 0920 GMT 7 Oct 93

[Text] Beijing, October 7 (XINHUA)—China's policy on developing a good-neighborly relationship of cooperation with Russia remains unchanged, Foreign Ministry spokesman Wu Jianmin reiterated here today.

Wu made the remark at a weekly press conference this afternoon, when asked to comment on the recent crisis in Russia.

As a neighboring country, China hopes that Russia will maintain stability and unity, Wu said. "Despite any changes in Russia's domestic situation, China is always ready to develop good-neighborly, mutually beneficial and friendly relations of cooperation with it, on the basis of principles in the Sino-Russian joint declaration."

Expresses 'Regret' Over Patten Speech

OW0710111493 Beijing XINHUA Domestic Service in Chinese 0927 GMT 7 Oct 93

[By reporter Xin Huaishi (6580 2037 2514)]

[Text] Beijing, 7 Oct (XINHUA)—Foreign Ministry spokesman Wu Jianmin, commenting today on the second policy address made by Hong Kong Governor Chris Patten, expressed regret over the position held by the British side even after 12 rounds of talks with China. He hoped that the British side would adopt a truly constructive attitude toward the talks so as to narrow the gaps between the two sides as early as possible.

Responding to reporters' questions concerning the second policy address delivered by Hong Kong Governor Chris Patten at the Legislative Council yesterday, Wu Jianmin made his comments during the weekly news briefing this afternoon.

He said: The part of the report relating to political package shows that a large gap remains between the British position on the question of the 1994/1995 election arrangements and the three principles the two sides have agreed upon. "We regret that the British side has continued to hold such a position even after 12 rounds of talks."

Wu Jianmin said: We have pointed out on many occasions that the essence of the current dispute between China and the United Kingdom is not whether or not there should be democracy, but whether one should honor one's words. The key for progress in the talks and the conclusion of the final agreement lies in strict compliance with the three principles.

Wu Jianmin pointed out: The Chinese side is of the view that the current talks are aimed at a smooth transition in Hong Kong's political system. A bilateral agreement on the 1994/1995 election arrangements is the necessary condition for a "through train."

Wu Jianmin reiterated: "The Chinese side has always been sincere toward these talks and has made, and will continue to make, serious efforts for their progress. We hope that the British side will take a truly constructive attitude toward the talks so as to narrow the gaps between the two sides as early as possible, and make the talks a success."

Wu Jianmin emphasized: To make the talks yield good results at an early date, it is necessary for both sides to make concerted efforts and strictly comply with the "three principles" the two sides have agreed upon. Any remarks or action which are unhelpful to the Sino-British talks are all unacceptable to the Chinese side.

Wu also said: Comrade Deng Xiaoping's talk on the Hong Kong issue in September 1982 "was highly far-sighted, and is still of guiding significance for the current situation."

On 'Through Train' Conditions

HK0710091593 Hong Kong AFP in English 0832 GMT 7 Oct 93

[Text] Beijing, Oct 7 (AFP)—China warned Thursday [6 October] that Hong Kong legislators elected before 1997 face being stripped of office after the territory returns to Chinese control if Britain and China fail to agree a plan for democratic reforms. In a rebuff to Hong Kong Governor Chris Patten, Foreign Ministry spokesman Wu Jianmin

said the territory's legislators could not expect to get a so-called "through train" to serve out the rest of their mandate after 1997 if Beijing and London were still at odds.

Patten's annual policy speech Wednesday "shows that there remains a wide gap between Britain's positions on the question of 1994/1995 Hong Kong election arrangements and the three principles the two sides have agreed upon," Wu told a press conference.

Patten warned Wednesday that only weeks remained for an agreement to be reached on arrangements for district board and legislative elections in 1994 and 1995 respectively.

"We regret that the British side has continued to hold such a position even after the 12th round of talks," Wu said, referring to slow-moving negotiations since April to try to resolve the dispute. The essence of the dispute "is not whether there should be democracy but whether one should honour his word," Wu told a weekly news briefing.

The row stems from China's rejection of Patten's year-old proposals to broaden the franchise in the elections, warning the legislature and government would be disbanded after 1997 should Britain implement them unilaterally. "The reaching between China and Britain of an agreement on the election arrangements is necessary condition for the realisation of a 'through-train'. Without such an agreement there could not possibly be a 'through train'," Wu said.

The so-called 'through train' refers to British demands for guarantees that Hong Kong legislators elected in 1995 polls, including those critical of Beijing, will retain their seats after the British colony reverts to Chinese rule on July 1 1997.

Urges French Measures To Improve Ties

OW0710114393 Beijing XINHUA Domestic Service in Chinese 0940 GMT 7 Oct 93

[By reporter Xing Huaishi (1630 2037 2514)]

[Text] Beijing, 7 Oct (XINHUA)—When commenting on the meeting between Chinese and French foreign ministers at the UN General Assembly, Wu Jianmin, spokesman of the Foreign Ministry, said at this afternoon's news conference that it is hoped that the French Government will take practical steps toward restoring and improving Sino-French relations.

When asked what impact the meeting between Chinese and French foreign ministers will produce on future Sino-French relations, Wu Jianmin said: In his meeting with French Foreign Minister Juppe, Qian Qichen, vice premier and foreign minister, has clearly stated the Chinese Government's principled position on the Taiwan issue and expressed the hope that the new government of France would adopt a policy on arms sales to Taiwan that is different from that of the previous government, so as to overcome the barriers in Sino-French relations and restore the friendly relations between the two countries.

Wu Jianmin said: "We believe that if the French Government adopts practical measures at an early date and corrects the previous government's wrongdoings in its policy toward China, this will contribute to the restoration and development of Sino-French relations."

Qian Meets Dominican Head, Former Lebanese Head

OW0610131693 Beijing XINHUA in English 1246 GMT 6 Oct 93

[Text] Beijing, October 6 (XINHUA)—Chinese Vice-Premier and Foreign Minister Qian Qichen met with Clarence Signoret, president of the Commonwealth of Dominica, and former Lebanese Prime Minister Rashid al-Sulh on separate occasions here this afternoon.

During his meeting with Signoret, Qian noted that the Asia-Pacific region is one of the most quickly developing economies in the world.

He expressed the hope that more people from the Caribbean countries, including the Commonwealth of Dominica, will visit China so as to enhance mutual understanding and promote the development of economic, trade and other links.

Signoret said Dominica and China knew little about each other in the past and that increased understanding could lead to more intimate ties between the two nations.

He expressed the belief that his visit will help promote the development of ties, and said he hoped to come to visit China again.

In his meeting with Solh, Qian said that China supports the just cause of the Lebanese people and Lebanon's reconstruction. He also voiced the hope that cooperative ties in economy and other fields between the two countries will further develop.

During the meeting, Solh briefed Qian on the situation in the Middle East. He expressed his appreciation for China's constant assistance and support for his country.

Signoret and Solh arrived here on October 3 and 5, respectively, at the invitation of the Chinese People's Institute of Foreign Affairs (CPIFA).

Liu Shuqing, CPIFA's president, was present at both meetings.

Report on U.S. Private Group's Visit to SRV

OW0610162293 Beijing XINHUA in English 1531 GMT 6 Oct 93

[Text] Hanoi, October 6 (XINHUA)—A 21 strong non-government delegation from the United States arrived here today to discuss potential investment and bilateral relations.

The delegation, which includes business leaders and members of the press, was headed by David Rockefeller, honorary president of the Council of Foreign Relations

and former president of the Chase Manhattan Bank, and Peter Peterson, president of the council.

Rockefeller said the delegation hopes it will learn about the current political and economic situation in Vietnam which will help it assess the opportunities for investment.

Although there are still historical problems in political relations between the U.S. and Vietnam, Rockefeller said that without cooperation there could be no mutual understanding.

It's the first non-government delegation from the U.S. to visit Vietnam since President Bill Clinton announced last month he would continue existing embargoes.

Russia Threatens To Leave European Arms Pact

OW0610121193 Beijing XINHUA in English 1158
GMT 6 Oct 93

[Text] London, October 6 (XINHUA)—Russia is threatening to withdraw from a key European arms control pact unless it is allowed to station more tanks near conflicts in the war-torn Caucasus region of the former Soviet Union.

An unidentified NATO source said Moscow had demanded that some limits on deployment contained in the treaty covering Conventional Forces in Europe (CFE) should be suspended.

But NATO allies and Eastern European countries have refused to make such changes, the source said.

"The Russians are obviously very worried about what is happening in the Caucasus and they have said they may pull out of the treaty unless we agree to suspend some of the limitations," the NATO source added.

"If they carry out that threat, it would mean the end of the treaty."

Signed in 1990 by NATO and former Warsaw Pact states, the treaty imposes serious cutbacks in the number of tanks, artillery pieces, armored vehicles and other equipment deployed on both sides, from the Atlantic to the Urals.

Report on Appointment of New NATO Commander

OW0410173193 Beijing XINHUA in English 1610
GMT 4 Oct 93

[Text] Brussels, October 4 (XINHUA)—The NATO Defence Committee on Monday [4 October] appointed American General George A. Joulwan to succeed General John M. Shalikashvili as the new NATO military commander.

The U.S. President Bill Clinton earlier had nominated General Joulwan to succeed Shalikashvili and informed the committee of this nomination for consideration by the committee as the successor.

A NATO statement said the allies had accepted Clinton's nomination.

General Joulwan, born in November 1939 in the U.S., is now serving as commander in chief, United States Southern Command.

'News Analysis' on UN Mandate in Croatia

OW0610134293 Beijing XINHUA Domestic Service in
Chinese 0621 GMT 6 Oct 93

["News analysis" by XINHUA reporter Xu Kunming (1776 0981 2494): "Why Was the Mandate for the United Nations Protection Force in Croatia Extended?"]

[Text] United Nations, 4 Oct (XINHUA)—On 4 October the UN Security Council adopted Resolution 871 to extend for another six months the mandate of the United Nations Protection Force [UNPROFOR] in the Serb-inhabited areas of Croatia until the end of March 1994. This was the fourth extension of UNPROFOR's mandate since troops were first sent there in March 1992.

Why was UNPROFOR's mandate repeatedly extended? Fundamentally it was because the contradictions between the Croatian authorities and the Serbs living in Croatia are too sharp and complicated to be solved within a short time.

There are about 600,000 Serbs in the Republic of Croatia, accounting for 12 percent of Croatia's total population. Although both Serbs and Croats are Yugoslavs and speak the same language, they use different written languages and share different religions. Throughout history there has been numerous resentment and antagonism between them, in particular the massacre of Serbs in the "Independent State of Croatia" during World War II.

Around June 1991, when Croatia declared its independence, the Serbs in Croatia successively established autonomous regions and the "Republic of Serbian Krajina," calling for secession from Croatia and a merger with Serbia. As a result of the intensified differences, the Croats and Serbs resorted to arms. The bloody civil war which has lasted for more than six months has claimed tens of thousands of lives; hundreds of thousands have become refugees.

Through the international community's repeated mediation, the two warring parties eventually signed the 15th cease-fire agreement in early 1992, accepting the peace plan proposed by Vance, the UN secretary general's special envoy, agreeing to declare the Serb-inhabited areas as "UN-protected areas" and allowing UNPROFOR to implement the plan.

However the fundamental differences between Croats and Serbs remain unsolved, and the two sides have their own wishful thinking concerning the presence of UNPROFOR. The Croatian authorities hope to regain control over the Serb-inhabited areas, which account for about one-third of Croatia's territory, with the aid of UNPROFOR; meanwhile the Serbs hope to take advantage of UNPROFOR to bring about a fait accompli—separation of the Serb-dominated areas from Croatia.

Since UNPROFOR was garrisoned, large-scale fighting has basically ceased; however sporadic clashes still occur from time to time. In January and September 1993, Croatian troops twice mounted large-scale offensives on the Serb-inhabited areas, causing heavy casualties. Provisions stipulated in the Vance plan regarding the disarmament of illegal armed forces and the return of refugees to their homeland have yet been implemented.

During this period, the Serb leaders repeatedly condemned the Croatian authorities for launching "ethnic cleansing" on Serbs, stressing their unwillingness to live in Croatia and urging the international community to recognize the independence of the "Republic of Serbian Krajina." The Croat leaders stressed Croatia must "recover its lost land" to maintain territorial integrity, and never allow Serbs to build a country within Croatia's territory.

Lately, under the situation that UNPROFOR's withdrawal or presence remains undecided, tensions in Croatia have risen again. The Croatian authorities stressed that if UNPROFOR fails to help Croatia establish a regime in the UN-protected areas, Croatia will "use blood and force to settle the issue." Serb leaders accused Croatian authorities of massing troops around Serb-inhabited areas. In the meantime, they warned that if the Croatian troops dare to launch an attack, the Serb armed forces will attack all military facilities in Croatia.

Facing the tense situation in Croatia, UN Secretary General Ghali pointed out that if UNPROFOR withdraws from this region, it is likely large-scale armed clashes will recur between the Croats and Serbs. Therefore he urged the UN Security Council to approve extension of UNPROFOR's mandate for another six months.

Beijing Begins Planning for Geological Meeting

OW0410145593 Beijing XINHUA in English 1406
GMT 4 Oct 93

[By Li Zhurun]

[Text] Beijing, October 4 (XINHUA)—China is to host the 30th International Geological Congress—the 30th "Olympics" of earth sciences—in August 1996.

According to Minister of Geology and Mineral Resources Zhu Xun, his ministry expects 5,000-6,000 geo-scientists from 100 countries to attend the congress and expects to receive up to 8,000 academic paper on 22 major subjects of geo- and earth sciences.

The congress will feature 300 seminars and geological tours along 100 routes in 30 Chinese provinces, municipalities and autonomous regions, said Zhu, who is chairing the congress's organizing committee, which was inaugurated today.

The International Geological Congress, the world's highest academic gathering in the earth sciences, was first held in Paris in 1878. The 29th congress held in Japan in 1992 approved China's application for hosting the 1996 congress.

In a message at today's inauguration of the organizing committee, Premier Li Peng said that China "is pleased to host the 30th International Geological Congress.

"We believe that the congress will be important to international cooperation and exchanges in geology, to our effort to open wider still to the world, and to China's socialist modernization program as a whole," said the premier, who is the congress's honorary chairman.

Vice-Premier Zou Jiahua, an honorary vice-chairman, attended today's inauguration. Other vice-chairmen are Vice-Premier and Foreign Minister Qian Qichen and State Councillors Song Jian and Luo Gan.

"As hosts of the congress, we will show geo-scientists from all over the world China's achievements in geological work and how it is being promoted by the policy of reform and opening to the world," Zou said. "Meanwhile, we will learn advanced experiences from them, to China's own benefit."

In a message read out at the inauguration, Song Jian called the 1996 congress "historical." "It will sum up the experience in earth sciences in the outgoing century and chart the course of its development in the forthcoming century," he said.

Song, himself a scientist, doubles as minister in charge of the State Science and Technology Commission. He expressed the hope that participants will work in unison to resolve problems that "concern the existence and development of the human race."

United States & Canada

U.S. Governors Visit, Discuss Environment

Qian Meets Missouri Governor

OW0710083293 Beijing XINHUA in English 0803
GMT 7 Oct 93

[Text] Beijing, October 7 (XINHUA)—Chinese Vice-Premier and Foreign Minister Qian Qichen met here today with Mel Carnahan, governor of Missouri State of the United States.

Missouri established friendship ties with China's Hebei Province earlier this year. Carnahan and other Missourian officials arrived here yesterday with the aim of exploring ways and means for promoting economic, technological and cultural exchanges with Hebei.

At today's 30-minute meeting, Qian voiced support for Missouri and Hebei to expand cooperation in various fields.

More exchanges between Chinese provinces and U.S. states are useful in keeping the Sino-U.S. relations on the right track and making the people-to-people exchanges more extensive, Qian told the visitors.

Carnahan and his party are scheduled also to tour Shijiazhuang, capital of Hebei, and Tianjin Municipality.

Virginia Governor Tours Exhibit

OW0610152593 Beijing XINHUA in English 1459
GMT 6 Oct 93

[Text] Shanghai, October 6 (XINHUA)—The potential of cooperation between the state of Virginia in the U.S.A. and Shanghai is great, said Lawrence Douglas Wilder, governor of the state.

The governor made the remark today when visiting the current Asian International Industrial Exhibition on Environmental Protection.

The governor said that Virginia might establish an agency in Shanghai some time in the future.

More than 150 overseas companies, including a dozen industrial enterprises and research units on environmental protection from the United States, Germany, Italy and the Hong Kong region as well as over 300 Chinese and overseas experts on environmental protection, attended the exhibition, bringing with them a great deal of advanced equipment and technology on environmental protection.

According to officials of the event, bidding on equipment and technology on environmental protection, and trading will also take place during the exhibition.

Commentary: U.S. Defense Plan 'Interventionism'

HK0610124593 Hong Kong LIAOWANG OVERSEAS
EDITION in Chinese No 39, 27 Sep 93 p 21

["International Commentary" by Sa Benwang (5646 2609 2598): "The 'New Defense Project' Which Pursues a 'New Interference Theory'"]

[Text] Following a "study from bottom to top" and a "comprehensive assessment" of over a year, the U.S. Defense Department promulgated a "new defense project" on 1 September, which was also known as the plan of "future military force structure." The new defense project, which was issued by Defense Secretary Les Aspin and approved by President Clinton, can be described as the Clinton administration's declaration of "new interventionism" in other countries. The strategic thinking, principle of army building, focus on war preparations, and the regional strategy are all carried out strictly in line with the central task of heightening military intervention.

First, the plan unequivocally proposed that the U.S. Army should have the capability to triumph over two local wars at the same time.

Carrying on the Bush administration's basic strategic thinking of "regional defense strategy," the Clinton administration held that following the Soviet Union's disintegration, "the threat of large-scale nuclear attack against the United States is smaller than at any time in the past," whereas local warfare has become the "main threat of U.S. security." Hence, the focus of U.S. military strategy has shifted from preparations for a nuclear war to preparations for local wars.

However, the Clinton administration, and the U.S. Army in particular, are severely divergent on the question of how many local wars the U.S. Army should be capable of dealing with at the same time. General Powell, chairman of the Joint Chiefs of Staff, and some others held that, due to implementing President Clinton's decision to drastically cut military expenditure and the number of military personnel, the U.S. Army's combat strength was weakened and it would not be able to triumph simultaneously in two major local wars. They said: The U.S. Army can only concentrate its military strength to win a war and, at the same time, use a few troops to "contain" another war; then turn to the second war after winning a victory in the first one. This kind of principle is called a "victory-containment-victory" strategy.

After heated debate, Defense Secretary Aspin's idea prevailed. The "new defense plan" unequivocally maintained that the U.S. Army should have the capability to triumph over two "almost concurrent important local wars" with a scale similar to the Gulf war. Aspin claimed that this decision was a "prudent" one, and a major consideration was that "in the post-Cold War world, which is vigorous and unpredictable, we must keep our military capability flexible and sufficient to tackle accidents and threats." Meanwhile, the "new defense plan" also urged the U.S. Army to play a more active part in actions of "realizing peace and intervention." It seems that this kind of strategic thinking can be called the "strategy of two and a half wars."

Aspin's new strategic thinking means that the U.S. Army will become the U.S. instrument in pursuing "new interventionism" and will be more frequently involved in internal affairs of various localities and countries in the world. Since its assumption of power, the Clinton administration repeatedly launched air raids against Iraq, dispatched U.S. troops to meddle in the affairs of Bosnia-Herzegovina, and directly intervened in the Somali civil war. All these are manifestations of "new interventionism."

Second, the reduction of military expenditure and armed forces was slowed slightly.

As far as total military expenditure from 1994 to 1998 financial years is concerned, since the new strategic thinking set a higher demand on the U.S. Army, \$20 billion would be added to Clinton's originally planned budget of \$1.2 trillion. The amount added was not large, but it did reflect the discontent of the Army towards the reduction in military expenditure. Moreover, it may make a negative impact on Clinton's fragile plan of reducing expenditure and deficits.

The plan to reduce the size of the U.S. Army also shrank slightly as compared with Clinton's original scheme. As set by the new defense plan, in the coming five years the total active U.S. armed forces will be reduced from 1.7 million to 1.4 million personnel, among which active army divisions will be reduced from 14 to 10, rather than to nine as originally proposed by Clinton. The number of aircraft carriers will be reduced from 14 to 12 (including an aircraft

carrier for training), rather than to 10 as originally planned by Clinton. The number of Air Force tactical fighter wings will be reduced from 28 to 20 as originally planned, and the Marine Corps will be symbolically reduced from 180,000 to 174,000.

The new plan, while attaching even greater importance to the role of reserve units, decided to maintain six divisions of reserve Army units and seven reserve Air Force wings and give more training to the reserve units and the National Guard. When the U.S. Army intervenes in major regional conflicts in the future, the reserve units and the National Guard will be mobilized to enter wars so as to supplement inadequate active U.S. armed forces.

Another major change made by the new plan was: Originally, Clinton stressed the transfer of military industrial enterprises' resources to civilian production so as to serve the major objective of "invigorating the economy." But the new plan shifted the focus to protecting the important foundation of military industrial production, such as technology and equipment necessary for the construction of nuclear submarines and armored vehicles, so that the production could be rapidly resumed and expanded in the future if necessary.

Third, the enhancement of overseas capability of emergency intervention was set as the focus of the U.S. Army's war preparations.

In order to meet the needs of stepping up external military intervention, the new plan set the enhancement of overseas capability of emergency intervention as the focus of the U.S. Army's war preparations. There are four major measures:

Increasing the strategic maneuverability, strengthening aircraft carriers' power of assault, heightening the power of weapons used by the Army, and improving long-distance bombers' power of assault. Different focuses would be set to deal with different situations in various regions of the world.

By dealing with different situations in various regions in the world, the new defense plan set different focuses and measures for U.S. military intervention.

Europe is still the key region of top priority in the United States' global strategy. Aspin claimed, "The United States will continue to play a leading role in the reinvigorated NATO." Hence, the United States planned to maintain 100,000 stationed forces in Europe, including two Army divisions and supporting troops. The U.S. Army stationed in Europe would enhance their cooperation with the NATO allied forces and make joint efforts to tackle disturbances and conflicts in Europe and peripheral areas, including disturbances and conflicts in East European and CIS countries.

Northeast Asia is the United States' key strategic area, second only to Europe. The United States planned to maintain 100,000 stationed forces in the ROK and Japan. The Clinton administration has announced its decision to "freeze" the troop withdrawal plan originally laid down by

Bush and to help the ROK Army accelerate the pace of modernization, including joint production of F-16 fighters and joint military exercises.

In the troubled region of southwest Asia, since most of the Muslim countries are very sensitive to U.S. forces stationed inside their countries, the United States cannot but adopt such measures as deploying naval vessels to cruise nearby waters, storing heavy equipment, and holding joint military exercises to maintain the U.S. Army's rapid contingency reaction capability in the region. Meanwhile, the United States also stepped up the supply of "Patriot" air defense missiles, M/A2 combat tanks, and other advanced weapons to Saudi Arabia and Kuwait so as to upgrade the Gulf allies' self-defense capability.

In Africa, the U.S. Army will try to maintain and expand the rights of using important facilities and ports and continue to dispatch troops to Africa if necessary, in the name of "giving humanitarian aid" or "playing a peace-keeping role," for the sake of military intervention.

In Latin America, the U.S. Army will mainly cooperate with local countries to fight against narcotics trafficking and "promote democracy."

"New interventionism" demonstrated by the Clinton administration's "new defense plan" is a reflection of the further rise of U.S. hegemonism and power politics under the new situation. However, this kind of "new interventionism" is merely an "American dream" and wishful thinking. There is a huge gap between the "American dream" and the "reality of the world." Even the U.S. "Heritage Foundation" criticized Aspin's idea of simultaneously winning two major local conflicts as "increasingly unrealistic."

PRC-U.S. Ties 'Heading Towards a New Crisis'

HK0710032893 Hong Kong SOUTH CHINA MORNING POST in English 7 Oct 93 p 7

[Report by Willy Wo-Lap Lam]

[Text] Sino-American relations are heading towards a new crisis, despite the top billing that has been given to the forthcoming "summit" between presidents Jiang Zemin and Bill Clinton in Seattle next month.

Chinese sources said the testing of a nuclear facility in Xinjiang, despite warnings from Washington, was indicative of a harder line by the leadership towards the United States.

They claimed the blast also reflected the fast-growing influence of the People's Liberation Army (PLA) in areas including diplomacy.

Leaders, including Mr Jiang, were receptive to the views of the "military establishment" in Chinese politics, because army support was crucial in the power struggle that might break out after the death of patriarch Deng Xiaoping.

The sources added that the PLA, which had unveiled an ambitious modernisation programme for the coming

decade, was eager to flex its muscles in spite of disapproval by Western and Asian countries.

It is understood, however, that other branches of the Chinese Government are generally less hawkish towards Washington.

"Jiang, who is also head of the Central Military Commission, is anxious to gain the support of the brass," a source said.

"The generals have been very vocal critics of Washington's alleged containment policy towards China, especially its support of Taiwan."

The military had long acknowledged that friction with the U.S. was inevitable if it was to push through its armaments programme.

Beijing's recent detentions of dissidents and journalists had also contributed to tensions.

Sources in the dissident community said China's toughened human rights stance might only relax after the debate on its Most Favoured Nation [MFN] status heated up again in Congress next spring.

Western diplomats said they had ruled out a breakthrough in Sino- U.S. relations when Mr Jiang and Mr Clinton met in Seattle.

They said, however, that both sides still wanted to do their best to mend fences.

Washington's reaction to the nuclear testing was less harsh than many analysts had expected.

While White House officials said Beijing's record in nuclear non- proliferation was crucial to bilateral links, Secretary of State Warren Christopher had ruled out sanctions in the wake of the Xinjiang blast.

U.S. sources quoted a senior aide to Mr Christopher as saying the administration "can live with" one test.

They said Washington's focus was to urge Beijing to refrain from further tests and join other nuclear powers in a global moratorium.

Analysts in Washington said, however, that "anti-Chinese" sentiments in the U.S. Congress had been inflamed with both the nuclear and the human rights issues.

They said that while Mr Jiang's stature at home and abroad would improve with his American tour, the Chinese leader would have a hard time lobbying U.S. legislators on MFN.

Canada, Sichuan Agree To Protect Ozone Layer

*OW0710103993 Beijing XINHUA in English 0803
GMT 7 Oct 93*

[Text] Chengdu, October 7 (XINHUA)—The Canadian Government has decided to cooperate with China's most populous province in the fight to protect the ozone layer.

According to an agreement reached yesterday, the Canadian Government will cooperate with southwest China's Sichuan Province in fund raising, technology training and research.

Lucien Bradet, a Canadian official in charge of environmental protection, said that only when the developing countries and developed countries join hands can mankind regain natural protection from the harms of ultraviolet rays.

Gan Yuping, vice governor of Sichuan Province, which contains more than 100 million residents, called for more support from the international community in preservation of the ozone layer.

"Sichuan Province, as the most populous province in the most populous country in the world, is one of the regions that the ozone layer faces the most severe destruction," Gan said. [sentence as received] "However, in the task of protecting the ozone layer, we need cooperation and support from the international community."

Officials from the United Nations Development Program and the World Bank also attended the meeting yesterday.

This is the first ever cooperative project between China and Canada in protection of the atmosphere.

With the rapid development of industry during the past half century, the ozone layer, which is 10-15 km above the earth, has been severely depleted. This injury of the atmosphere, in turn, allows more ultraviolet rays to reach the earth, which can cause skin cancer and cataracts.

Later this year, China and Canada will convene a meeting to jointly attack water pollution.

Central Eurasia

Yeltsin Reassures President Clinton of Elections

*OW0510211293 Beijing XINHUA in English 2003
GMT 5 Oct 93*

[Text] Moscow, October 5 (XINHUA)—Russian President Boris Yeltsin told U.S. President Bill Clinton Tuesday [5 October] that Russia's parliamentary elections are to be held in mid-December.

Earlier today, Clinton called Yeltsin by phone and Yeltsin briefed him on Moscow developments on Sunday and Monday, the Presidential Press Service said.

Yeltsin told his counterpart through a hot line about "preparations for parliamentary elections scheduled for mid- December", the service said, adding that Yeltsin also thanked Clinton for his support during the crisis days.

Thousands of special troops backed by tanks and armored vehicles captured the parliament building on Monday evening and detained Yeltsin's main political opponents including Speaker Ruslan Khasbulatov and Vice-President Aleksandr Rutskoy.

One day earlier, anti-Yeltsin protesters captured the Moscow government building, stormed the Ostankino TV Center, and tried to seize the Kremlin.

In their Tuesday phone conversation, Yeltsin and Clinton "also discussed U.S. finance assistance to Russian reform, especially in the regions of the country," the service said, without giving details.

Italy Reaffirms 'Full Support' for Russia's Yeltsin

*OW0610023893 Beijing XINHUA in English 0206
GMT 6 Oct 93*

[Text] Rome, October 5 (XINHUA)—The Italian foreign minister, Beniamino Andreatta, said today that the Italian Government reaffirmed its full support to Russian President Boris Yeltsin because doing so was in the interests of the West as well as Italy.

Addressing the Senate, he said that at this critical moment for Russia's future, offering firmer and more convincing support for Yeltsin's "blueprint of reform" was more than ever in conformity to the interests of the West and Italy.

The Italian foreign minister held that whether Yeltsin's dissolution of Russia's Supreme Soviet was constitutional was a question "not up to us to comment."

Andreatta said that a note from the Russian Embassy in Rome informed the Italian Foreign Ministry that the state of emergency decree in Moscow declared by Yeltsin would come to an end on October 10.

He said the Kremlin has declared that "the chiefs of the rebellion will be tried, but their rights guaranteed."

Yeltsin Gives TV Address on Russian Situation

Situation 'Not Yet Normalized'

*OW0610194093 Beijing XINHUA in English 1653
GMT 6 Oct 93*

[Text] Moscow, October 6 (XINHUA)—Russian President Boris Yeltsin said Wednesday [6 October] night that the situation in Moscow had not yet normalized and urged the people to reconcile.

In a television address to the nation, Yeltsin said it is a "big mistake" to speak about a complete normalization of the situation in the city.

"Passions have not yet gone down," he pointed out.

He stressed that it is depending on further developments to cancel earlier or prolong the state of emergency in Moscow.

Yeltsin called on the nation to refrain from dividing the people into winners and losers, or "who had won and who had sustained a defeat."

The president said, "the state must use force if a threat of violence emerges."

Confirms 12 Dec Elections

*OW0610193593 Beijing XINHUA in English 1659
GMT 6 Oct 93*

[Text] Moscow, October 6 (XINHUA)—Russian President Boris Yeltsin confirmed tonight that early parliamentary elections will be held on December 12 as scheduled.

In a televised address to the nation, Yeltsin stressed the urgent need to strengthen the state, full reform of the Army and security agencies and consistent promotion of economic changes.

"The elections of the Federal Assembly and, probably, of local bodies of representatives power will be held on December 12," he said.

The president also said that the main lessons to be learned from the recent "upheaval" in Moscow was that "democracy must be dependably protected."

He said what happened in Moscow on Sunday [3 October] and Monday was "an armed mutiny, planned and prepared" by the leaders of parliament, former vice president and leaders of some parties and public organizations.

Parliament Speaker Ruslan Khasbulatov and Vice President Aleksandr Rutskoy were detained on Monday evening, while the White House was captured by pro-Yeltsin troops, and are held now in a Moscow prison.

Yeltsin said, "the smoldering source of civil war in Russia has been extinguished." "But my heart is heavy because we had to pay an immense price," he added.

Calls 'Crisis' 'Armed Mutiny'

*OW0610204593 Beijing XINHUA in English 2004
GMT 6 Oct 93*

[Text] Moscow, October 6 (XINHUA)—Russian President Boris Yeltsin tonight described the bloody Moscow crisis in recent days as "an armed mutiny."

In a televised address to the nation, Yeltsin announced "all those who took part in the rioting with arms in their hands will be punished," and stressed the need to end the system of Soviets in the country.

He attributed the responsibility of the fightings to the former leaders of the parliament headed by Ruslan Khasbulatov, former Vice-President Aleksandr Rutskoy and leaders of some political parties and public organizations.

Both Khasbulatov and Rutskoy as well as other important figures were sent to a Moscow prison immediately after they were detained by the end of the White House bloody battle on Monday [4 October]. The Sunday and Monday fightings resulted in at least hundreds of deaths and injuries.

"On October 3 and 4, Russia experienced a great tragedy," he said, adding, "The bloodletting events of that night (Sunday) compelled (us) to bring in regular Army units into Moscow."

Yeltsin said it was "difficult to make the decision to storm the Supreme Soviet building," or the White House, which had turned into a stronghold "with a great amount of weapons and ammunition" and "the most important factor of unleashing civil war in Russia."

He said the actions of the militants were coordinated from the house [White House] and illegal armed groups were formed inside it, calls to storm the mayor's office building, the Ostankino Television Broadcasting Center and the Kremlin also came from the building, he added.

However, the Russian president continued, "the smoldering source of civil war in Russia has been extinguished. But my heart is heavy because we had to pay an immense price."

Briefing on developments now in Moscow, he said it is a "big mistake" to speak about a complete normalization of the situation in the political and economic center of Russia.

According to official sources here, among the troops brought into Moscow to pull down the "violence" there were at least more than 10,000 regular Army soldiers and hundreds of tanks.

Abdulla Khamsayev To Defend Russia's Khasbulatov

OW0610161393 Beijing XINHUA in English 1517
GMT 6 Oct 93

[Text] Moscow, October 6 (XINHUA)—Abdulla Khamzayev, a member of the Moscow Collegium of Lawyers, announced today that he would defend former parliament Speaker Ruslan Khasbulatov.

Khasbulatov has been detained in Moscow's Lefortovo Prison after surrendering with other lawmakers following President Boris Yeltsin's full-scale assault on the White House (parliament) earlier this week.

The well-known lawyer is also defending Vyacheslav Tereknov, one of the leaders of the Union of Russian Officers, who recently led an attack against the headquarters of the Commonwealth Allied Armed Forces.

Khamzayev said he had not yet been granted access to Khasbulatov but believed that the newly appointed Procurator-General Aleksey Kazannik, who replaced Valontin Stepankov on Tuesday [5 October], will resolve this issue.

Constitutional Court Chairman Zorkin Resigns

OW0610130593 Beijing XINHUA in English 1236
GMT 6 Oct 93

[Text] Moscow, October 6 (XINHUA)—Russia's Constitutional Court Chairman Valeriy Zorkin stepped down today after being accused of leaning towards the parliament dissolved by President Boris Yeltsin.

Zorkin, in a letter to the court, said he could no longer fulfil his duties, according to a court spokesman.

"I made a decision to step down as chairman of the Constitutional Court as I consider it impossible to carry on with my duties in the current situations," the letter said.

Zorkin's resignation came after Yeltsin's supporters accused him of siding with the parliament which led a two-day abortive rebellion against the president.

The court will elect a new chairman.

Nikolay Vitruk Replaces Zorkin

OW0610193793 Beijing XINHUA in English 1740
GMT 6 Oct 93

[Text] Moscow, October 6 (XINHUA)—Nikolay Vitruk was named acting chief constitutional justice after Valeriy Zorkin was removed from his post earlier Wednesday [6 October].

Vitruk told reporters that he "needs no special decisions of the court to replace Zorkin" as he was his deputy.

The court did not discuss at its Wednesday meeting the suspension of Zorkin for "political actions incompatible with the status of a constitutional judge," Vitruk said, adding that the issue will be on the agenda when Zorkin recovers and appears in office.

Pro-Yeltsin political forces have demanded Zorkin, reportedly close to the parliament side, step down from his post of the leader of the constitutional court.

Reporting on his resignation earlier Wednesday, the ITAR-TASS news agency said "Zorkin is seriously ill."

'Manhunt' Under Way for TV Center Assailants

OW0610132793 Beijing XINHUA in English 1314
GMT 6 Oct 93

[Text] Moscow, October 6 (XINHUA)—The organizers of Sunday's [3 October] assault on the Ostankinov TV Center in Moscow have not been arrested and a manhunt is still underway, the ITAR-TASS news agency reported today.

The organizers are Viktor Ampilov, leader of the Labor Russian Party, and Ilya Konstantinov, head of the National Salvation Front, the agency said.

The two men commanded the storming of the TV center during an abortive uprising led by the parliament dissolved by President Boris Yeltsin.

Russian Soldiers Stop Guarding Lenin's Mausoleum

OW0610194193 Beijing XINHUA in English 1711
GMT 6 Oct 93

[Text] Moscow, October 6 (XINHUA)—Russian soldiers will no longer guard the Lenin Mausoleum in the Red Square here where the mummified body of the founder of the Soviet state lies, the ITAR-TASS news agency reported tonight.

It said the "Guard Post Number One in the Country" was closed at 16:00 Moscow time (13:00 GMT) on Wednesday [6 October].

The decision was adopted by the authorities because of a "change in the ritual", the news agency quoted the office of the commandant of the Kremlin as explaining.

Vladimir Ilyich Lenin died on January 21, 1924. A mausoleum was then erected in the Red Square for him and a group of guards of honor instituted. Guards used to change every hour at the entrance to the mausoleum through decades.

Political & Social**Tibet Commentary Warns of 'New Unrest'***HK0710091193 Hong Kong AFP in English 0900 GMT
7 Oct 93*

[Text] Beijing, Oct 7 (AFP)—Warning of new unrest, Beijing called for a stepped up fight against separatists in Tibet and ordered officials in the region to be "well prepared to deal with sudden incidents."

The Communist Party's official newspaper in Tibet, the TIBET DAILY [XIZANG RIBAO], said separatists loyal to the Dalai Lama "continued to cause disturbances and stir up trouble."

"All levels of (Communist) Party and government organs throughout the region must strengthen leadership over work involving the fight against separatism and stabilizing the situation," it said in a front-page commentary.

"They should frequently study and analyze new circumstances and problems of doing work to stabilize the situation in their areas or departments, clearly grasp the new movements of separatist forces in their areas, fix a plan to fight against separatism and be well prepared to deal with sudden incidents."

"No matter when or where, as soon as separatists plot to make trouble, decisive policies must be made, the command must be strong and the crackdown must be resolute," the commentary said.

In its September 27 edition received here Thursday [7 October], the newspaper accused Western countries of shifting their focus to Beijing after the collapse of the Soviet Union and trying to sow chaos in China.

It also accused supporters of the Dalai Lama, Tibet's exiled spiritual leader, of seeking support from the West and increasing links with separatists inside Tibet to "incite" its people and engage in "political infiltration."

The commentary gave no details of the latest pro-independence activities, but called for "heightened vigilance." Since martial law was imposed for a year in Tibet in 1989, following the region's worst anti-Chinese riots in 30 years, sporadic incidents of unrest have been reported.

The most recent major demonstrations occurred in May, when hundreds of Tibetans calling for independence and protesting price hikes clashed with police. A crackdown followed, in which scores of activists were arrested, according to human rights groups.

Paper Says Hong Kong Reporter To Be Released 'Soon'*HK0710023693 Hong Kong LIEN HO PAO in Chinese
7 Oct 93 p 11*

["Special Dispatch": "Xi Yang To Be Released Soon and To 'Leave the Country Within a Definite Time'"]

[Text] It has been said that Xi Yang, a MING PAO reporter who was detained by Beijing's State Security

Bureau on 27 September, is going to be released in the next day or two, but a mid-level official from the mainland's agricultural bank, who is involved in the same case, has been formally arrested and will possibly be prosecuted and punished.

Xi Yang will be repatriated to Hong Kong by Beijing's State Security Bureau in the form of "leaving the country within a definite time" and may not be allowed to enter the mainland during the next two years, a punishment identical to that given KUAI PAO reporter Liang Hui-min.

Xi Yang was taken from the Jinlang Hotel in Beijing by State Security Bureau personnel on the morning of 27 September. In the evening it was announced that he had been illegally stealing and gathering financial state secrets, thus violating state security laws. At the same time, mainland personnel involved in the same case have been arrested.

Xi Yang has been detained for 11 days, which is still within the legal 15-day detention and examination period according to mainland law. If the detention exceeds 15 days, he should be formally arrested with the approval of the procuratorial organ.

A MING PAO source has said that, so far, no official information from the State Security Bureau has been received about Xi Yang's release.

CPPCC Committee Meets on Economy, Membership Issues**Li Ruihuan Presides***OW0610140093 Beijing XINHUA in English 1342
GMT 6 Oct 93*

[Text] Beijing, October 6 (XINHUA)—The Standing Committee of the Chinese People's Political Consultative Conference (CPPCC) met today to discuss the national economic situation in Beijing.

Vice Premier Zhu Rongji delivered a report at the meeting, which included an analysis of the economic situation and an explanation of the major economic actions that have been or will be taken by the central government.

The four-day meeting will decide on the appointment of leaders of subcommittees of the CPPCC.

It will also discuss the withdrawal of Yu Zuomin's membership of the CPPCC. Yu, once the head of Daqiu village near Tianjin, was recently sentenced to 20 years of imprisonment for violations of the law.

One charge against Yu was his shielding of criminals who illegally placed a worker of the village in custody and beat him to death.

The chairman of the National Committee of the CPPCC, Li Ruihuan, presided over today's meeting, which was attended by around 230 standing committee members.

Zhu Reports on Economic Situation

*HK0710030693 Beijing ZHONGGUO XINWEN SHE
in English 1322 GMT 6 Oct 93*

[Text] Beijing, October 6 (CNS)—The Third Session of the Standing Committee of the 8th Chinese People's Political Consultative Conference (CPPCC) opened here today. Chairman of the political body, Mr. Li Ruihuan presided at the opening.

The four-day meeting has on its agenda a discussion of the current economic situation in the country, the examination and passing of some personnel appointments and removals including the cancellation of Yu Zuomin's membership of the CPPCC and a discussion of reports by its members on their visits abroad.

Member of the Standing Committee of the politburo of the Central Committee of the Communist Party of China and Vice Premier Zhu Rongji presented a report titled "China's Current Economic Situation and Measures" to the meeting. Mr. Zhu pointed out in his report that China had in the past few months strengthened its macro-regulation and control and had launched a battle against corruption. He said that the present situation regarding economic development in the country was good, but that some problems still existed in this sector. The vice premier gave an analysis of these problems and put forward a number of important measures for tackling them.

Zhu Rongji To 'Step Down' If 'Austerity Drive' Fails

*HK0710035593 Hong Kong SOUTH CHINA
MORNING POST in English 7 Oct 93 p 6*

[Report by Chris Yeung]

[Text] China's economic trouble-shooter Zhu Rongji said yesterday he would step down if the ongoing economic austerity drive failed.

The Executive Vice-Premier made the remarks during a speech at the opening of a Standing Committee meeting of the Chinese People's Political Consultative Conference (CPPCC).

Sources quoted Mr Zhu as saying he would "resign if the macro-economic control exercise does not succeed".

He reportedly said his "predictions" over the effectiveness of the macro control measures would be proved wrong if the economic revamp exercise did not bear fruit.

The source indicated, however, that the economic czar was confident his policies would work.

Mr Zhu, named governor of the People's Bank of China in July, is the key man behind the current economic austerity programme, which has virtually been suspended in the face of the drawbacks such as shortage of funds for enterprises.

Observers have pointed to the fact that Premier Li Peng, though assuming day-to-day administration of the State Council, has sought to distance himself from the economic surgery.

This has been seen as a move to shrug off responsibilities.

According to the China News Service [CNS], Mr Zhu maintained in his report that the overall economic situation was "sound" following the macro control exercise and recent anti-corruption campaign.

He cautioned, however, that some problems still existed in the course of economic development that needed to be addressed.

The report said Mr Zhu had analysed the causes of the outstanding problems and raised a series of solutions.

Neither the CNS report nor a Xinhua (New China News Agency) dispatch gave details.

In his 160-minute report, sources said, Mr Zhu confirmed that more concrete measures on the improvement of the macro economy would be tabled at the next Central Committee plenum of the Communist Party, expected to be held next month or December.

It is understood that another major item on the agenda of the significant plenum will be the anti-graft campaign.

The source said: "He has tried to boost the confidence of the delegates although he has frankly admitted that there are still a lot of difficulties ... but he said he was not afraid to face the challenge."

Senior leaders have said a set of comprehensive reforms over the finance, taxation and investment systems would be implemented this year.

The source said the recent tours of senior leaders, including Communist Party General Secretary Jiang Zemin in Guangdong, and Politburo Standing Committee member Qiao Shi in Shanghai, were moves to prepare for the party plenum.

Deng Urges Party Paper To Reflect All People's Voices

*HK0710054093 Hong Kong CHING PAO in Chinese
No 10, 5 Oct 93 p 52*

[Article by Cheng Te-lin (6774 1795 2651): "Deng Xiaoping Urges The Party Newspaper To More Frequently Air the People's Voice"]

[Text] According to a source in Beijing, on the afternoon of 6 September, the CPC Central Committee Secretariat held a forum in the Beijing Hall of the Great Hall of the People on propaganda work at the central level. In the company of Wen Jiabao, alternate member of the CPC Central Political Bureau, and Wang Ruilin, director of Deng Xiaoping's Office, Deng Xiaoping attended the meeting for over two hours. He quietly listened to remarks made by the leading cadres of the Secretariat, the CPC Central Committee's Propaganda Department, the Ministry of Culture, and the State Council Press Office, and spoke twice. "Please go into details about the key elements and point out the orientation and focus of propaganda and press reform," and "do not hold anything back."

The Party Newspaper Must Reflect Voices of All Strata

At the meeting, Deng Xiaoping made a concise speech following repeated requests by Secretariat members Hu Jintao and Ding Guangen. **Deng Xiaoping said: The party newspaper must reflect more voices, demands, opinions, and wishes of the masses as well as more voices, demands, opinions, and wishes of nonparty individuals, democratic parties, and nongovernmental groups.** The party newspaper represents all strata, and we must address this problem. Are we afraid of changing the party newspaper's orientation? I do not think so. **If the party newspaper cannot fully reflect and express the voices, demands, opinions, and wishes of all strata, the party newspaper's propaganda role and representativeness will be narrowed.** Please, all of you, discuss whether this should become the party newspaper's reform orientation.

The source also said that Deng Xiaoping met Hu Jintao and Ding Guangen at home in late August. Speaking about the propaganda work, Deng said: I think there are two problems in the field of propaganda, press, and publication that must be solved. First, party and government newspapers and journals at the central and local levels must open up wider, must more frequently air the voice of the masses and nonparty personages, and must remember that the party newspaper and the party journal should embody the people's line of running a newspaper. Another problem is to impose control, **that is, we must ban unhealthy publications on pornography and violence. Why do we not implement laws and regulations? Likewise, plagiarism is a major problem which has very negative effects. If there are laws and regulations, we must implement them; if there are none, we must set up some and coordinate them.** Why is it so difficult to set up a legal system? Why is it so difficult to enforce the law? As far as this problem is concerned, the whole party must reach a common understanding. We must accelerate our pace, otherwise we will be out of sync with development, which will affect all kinds of work. (It was learned that an overseas celebrity wrote a letter to Deng Xiaoping, saying that he saw copied and plagiarized pornographic books, magazines, tapes, and records in Shenzhen, Shanghai, and Beijing. He told Deng that these things would adversely affect China's image.)

The Secretariat Gave Instructions on Propaganda

The source said: In mid-September, the CPC Central Committee's Propaganda Department relayed to subordinate organs the CPC Central Committee Secretariat's instructions "on propaganda work's role in serving the party's central task," which included: Giving comprehensive and systematic publicity to Deng Xiaoping's theory of running a country, reporting and giving publicity to activities of the leading body of the CPC Central Committee with Comrade Jiang Zemin at the core, reporting the current situation of dealing with large and important cases in the anti-corruption struggle, reporting party and government departments with remarkable achievements in implementing the 16 macroscopic regulation measures laid down by the central authorities, reporting nonparty personages and intellectuals making contribution to the

socialist building and reform and opening up, and reporting typical opinions, recommendations, and voices from all strata.

The CPC Central Committee's Propaganda Department stressed: It is necessary to check unhealthy tendencies in newspapers, journals, televisions, and radio stations, to put an end to paid news reporting, to ban the malpractice of taking advantage of the propaganda front to seek personal interests in the form of money and property, to transfer personnel who do not follow the rules of news reporting, and to reshuffle the leading bodies of the propaganda departments.

Article Views Deng Xiaoping, Socialism

HK0610132593 Hong Kong WEN WEI PO in Chinese
24 Sep 93 p 2

["Special feature" by Chen Keng-tao (7115 5087 3447):
"Deng Xiaoping and China's Socialism"]

[Text] "It matters not whether a cat is black or white. So long as it catches rats, it is a good cat." This is a well-known saying by China's leader Deng Xiaoping.

"Poverty is not socialism" is another famous remark. In 1977, the year immediately after the end of the disastrous Cultural Revolution, Deng Xiaoping issued this loud and clear slogan. He was reinstated in 1977 after being disgraced a second time.

To revitalize China and to eliminate poverty, Deng initiated reforms, which spread to every part of China, immediately after he was reinstated. His reform idea was known as the "theory of building socialism with Chinese characteristics."

Deng Xiaoping retired in 1989, but his thinking still guides 1.1 billion Chinese people in their march toward modernization.

Rural Reform: Peasant Households Contract To Cultivate the Land

After Deng Xiaoping appealed for ideological liberation, reforms were carried out in rural areas first. The peasants cast aside the people's commune's production system featuring collective labor and low efficiency and replaced it with the contract responsibility system on a household basis with remuneration linked to output. This new system greatly aroused the peasants' enthusiasm for production and boosted agricultural production. China's grain production increased from 304 million tonnes in 1978 to 407 million tonnes in 1988, representing an increase of 33.6 percent. In the same period, China's gross agricultural output value increased by 55.4 percent.

During the reforms, peasants were encouraged to engage in any trades which would contribute to economic growth, thus rapidly diversifying the rural economy. A great number of peasants went into business along different

lines, raising chickens and fish, providing transport services, working on construction sites, and trading in agricultural and sideline products. The countryside, where peasants were once confined to land, was now one vast scene of prosperity.

The most conspicuous result of rural reforms was probably the establishment of township enterprises. So far, township enterprises across the country have employed 100 million peasants, and their gross industrial output value has accounted for one-third of the country's total. Products of quite a number of township enterprises have found their way to international markets.

Peasants' income has increased with each passing year. Their per capita net income increased from 133.5 yuan in 1978 to 784 yuan in 1992.

"One Central Task, Two Basic Points"

Mao Zedong's doctrine of "taking class struggle as the key link" led to the 10-year-old disastrous Cultural Revolution and brought China's economy to the verge of collapse. Deng Xiaoping changed Mao's line and advanced the guiding principle of "one central task, two basic points."

"One central task" means making economic development a central task while "two basic points" means persevering in the reform and opening up policy and keeping to the socialist road.

Deng Xiaoping maintained: China, where the productivity and the people's living standards are still low, is in the primary stage of socialism. Therefore, China's most urgent need is to develop the economy so that its people will lead an affluent life.

"From the first year of the 1980's, we must apply ourselves to achieving the four modernizations, never wasting one day. We have decided on the general task of achieving the four modernizations; no diversion of energy from it is allowed," said Deng in early 1980.

From then on, economic development has been made the central task of the country. Over the past dozen years, China has focused on building a large number of ports, steel works, ethylene plants, rail lines, and expressways. China's 1992 steel output hit 80 million tonnes, a 1.5 times that of 1978. The increase in the production of color television sets was all the more surprising: Only 3,800 television sets were produced in 1978, but the figure jumped to 13.14 million in 1992. China's GNP doubled in the period from 1980 through 1988. The shelves of shops, big and small, were full of a superb collection of consumer goods.

Even the disintegration of the former Soviet Union and Eastern Europe could not shake China's determination to achieve modernization.

While visiting south China on an inspection tour in 1992, Deng Xiaoping said: "We will inevitably meet our doom if we do not develop the economy and improve the people's livelihood."

Inside and outside the country, Deng Xiaoping is accepted as the chief architect of China's reform and opening up policy. He is worthy of the honor. The reform he initiated affected every domain of China's society. Stock exchanges and futures markets emerged as the times required, prices of most commodities were deregulated, and state-owned enterprises were allowed to make their own management decisions. Reform has breathed new life into China's economy, raised the productivity, and increased social wealth.

Opening China to the outside world is another important policy decision initiated by Deng Xiaoping. He said: "Experience has shown our construction will not be successful with our doors closed; China's development cannot be isolated from the rest of the world."

Since China introduced the open policy, 130,000 foreign-funded enterprises have emerged across the country. These enterprises produce tens of thousands of products including cars, aircraft, color television sets, garments, food, and cosmetics. By the end of 1992, foreign investment in China totaled \$31.2 billion in real terms. In 1992, the total import and export volume of foreign-funded enterprises stood at \$43.8 billion, representing one fourth of China's total.

While advocating reform and opening up China to the rest of the world, Deng Xiaoping exhorted the people: China must keep to the socialist road. In doing so, the following principles must be followed: Uphold the CPC leadership, maintain public ownership as the dominant sector of the national economy, and ensure that the people of the country will move toward common prosperity.

Deng Xiaoping said: "Our policy allows some people to prosper earlier than others and some areas than other areas in a bid to achieve common prosperity at a greater pace."

Setting Up a Market Economy

In early 1992, when many people had misgivings about developing a market economy, Deng Xiaoping cleared their minds of doubt with several simple sentences. He said: "A planned economy is not socialism—there is planning under capitalism, too. A market economy is not capitalism—there is market regulation under socialism, too. Planning and market regulation are both means of controlling economic activity."

At the 14th CPC National Congress held in late 1992, setting up a socialist market economy was made an objective of reform for the next stage.

An economist said: This is a very important and correct policy decision where the timing is concerned. The reasons are: Reform has created favorable conditions for developing a market economy in China, and the 14-year-old reform needs a new and clear objective.

Deng Xiaoping's theory of building socialism with Chinese characteristics has been established as China's guiding principle for the present period and future. The Chinese people expressed heartfelt support for the principle. The

reason is simple: The principles and policies advanced by Deng Xiaoping, namely, the socialism initiated by him, has brought to them initial prosperity and will certainly bring them a brighter future.

Shenzhen Exhibits Mao Pictures To Mark Centenary

HK0710070093 Hong Kong TA KUNG PAO in Chinese 30 Sep 93 p 6

[Report: "Shenzhen To Hold Large-Scale Photo Exhibition To Mark Centenary of Mao Zedong's birth"]

[Text] Shenzhen, 29 Sep (TA KUNG PAO)—A large-scale photo exhibition jointly held by the Shenzhen City Party Committee Propaganda Committee and the Huaxing Industrial Company will open on 5 October in Shenzhen to mark the centenary of Mao Zedong's birth.

The exhibition features over 250 pictures documenting the life and work of Mao Zedong from youth to old age, and most of them are being shown to the world for the first time. The pictures will be divided into seven groups: One, the youthful age of search and exploration; two, the epic age of revolutionary struggle; three, loss of sleep and appetite for the country; four, Mao Zedong during the 10 years of turmoil; five, a brilliant and ambitious diplomat; six, the love of one's hometown, kinfolk, and brothers-in-arms; and seven, a distinguished man of letters and an artist. The exhibition will also show some of Mao Zedong's personal effects, such as the shoes he wore at the nation-founding ceremony, a silver-gray Chinese-style tunic worn in the 1960's, chopsticks, match boxes, and so on, providing us a glimpse into the life of a great individual.

The Shenzhen Museum will on the same day stage an exhibition entitled "Mao Zedong—the Giant of the East," which will display approximately 400 rare historical pictures.

Hunan To Issue Gold-Plated Bronze Mao Statues

HK0710071093 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 0652 GMT 30 Sep 93

[Text] Changsha, 30 Sep (ZHONGGUO TONGXUN SHE)—To mark the centennial of Mao Zedong's birthday, China Sculpture Society has been entrusted to produce 1,000 gold-plated small bronze Mao Zedong statues, another 1,000 bronze statues of the same cast, and 28,000 sets of gold-plated "Oriental Giant" badges, which are to be ceremoniously circulated to the public in Hunan Shaoshan's Taiyang City on 1 October in China as well as overseas.

The small gold-plated bronze and bronze Mao Zedong statues have jointly been created by China's fine art master Liu Kaiju [0491 7030 2829] and the famous sculptor Cheng Yun [4453 0336]. The bronze statue was modeled after Mao's image at the grand ceremonies of the PRC's founding on 1 October 1949; it was 28 centimeters in height, with a pedestal 1.1 centimeter in width and 7.1 centimeters in height.

Every statue has a serial number, a notary certificate attached to it, and a special mark to prevent fake duplicates. There are four groups and 16 variations of "The Oriental Giant" badges, with a focal embodiment of the themes "Rise of a Superstar," "The Leader's Feelings," "Glorious Future," and "Shining With Lasting Brilliance." Every badge is imprinted with a relief of Mao Zedong's head from a specific historical period and the corresponding design, words, or Mao's own handwriting in the background. The set has completely and systematically revealed the brilliant thinking, noble character, extraordinary talent and wisdom, and outstanding achievements of Mao Zedong's life.

Collection of Poems of Mao Zedong, Others Published

OW0610142993 Beijing Central Television Program One Network in Mandarin 1400 GMT 28 Sep 93

[From the "Night News" program]

[Text] To commemorate the 100th birth anniversary of Comrade Mao Zedong, collection of selected poems and ci [a form of Chinese poem] of Mao Zedong and veteran revolutionaries inscribed by contemporary calligraphers was published recently. The publication collected some 200 poems and ci of the older generation including Mao Zedong, Zhou Enlai, Liu Shaoqi, Zhu De, Dong Dihu, and Ye Jianying and was inscribed by nearly 200 contemporary calligraphers to express their respect and love for revolutionary leaders of the older generation.

Bao Xin 'Letter' on Journal Ceasing Publication

HK0710124293 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 39, 27 Sep 93 p 2

[“Letter From Beijing” by Bao Xin (7637 0207): “LIAOWANG OVERSEAS EDITION Bids Farewell to Its Readers”]

[Text] Dear brother,

It has been seven years and nine months since LIAOWANG OVERSEAS EDITION was first printed and published in Hong Kong in January 1986. Over the past eight years or so, a period as long as the Anti-Japanese War, I have received a "Letter From Beijing" written by you once a week. I have thus far received almost 400 such letters from you. Reviewing your letters, I am fully satisfied with those sincere ideas and innermost thoughts you expressed, though they are not without shortcomings. What you have done, it should be acknowledged, has fully conformed with the original goal of this column.

Now let me say something about the background of the "Letter From Beijing" column.

In the mid-1980s, a group of so called "authorities on the mainland question," who claimed to "have come from the mainland," stated that they would disclose very reliable information about the mainland. It is true that they soon started reporting what they saw and heard during their "northern journeys" or visits to the hinterland. There is no

denying the fact that they have disclosed some bits of reliable information. However, they have also frequently spread hearsay information, made groundless accusations, and even spread rumors, fabricated stories, and their own assumptions as well. God knows whether they even went on those "northern journeys" or not. Nonetheless, as their reports carried both true and false information and seemed serious, they have successfully cheated certain people (especially overseas people). Whenever we talked about their disgusting behaviors, my colleagues and I became indignant. Later on, we began asking such a question: Why shouldn't we also start a "Letter From Beijing" column to report something on China's hierarchy and provide our readers with some true information, thereby putting on a rival show against their "northern journey" reports? Only after making a comparison will people be able to tell real Li Kui from false Li Kui, a real monkey king from a false monkey king. However, we knew that it would take time.

The old man of time is, after all, impartial and incorruptible. The almost 400 letters I have so far received have touched upon such major issues as the country's political, economic, cultural, and diplomatic affairs, as well as such small issues as clothing, food, lodging, and traffic of the ordinary people. They have made mention of almost every aspect and strictly adhered to the principle of reporting truth. Before long, you, my brother, gave your approval to our plan. Soon afterwards, our new column struck a sympathetic chord among our readers. Although we could not be absolutely certain that each and every word in our column is authentic, people, who judged truth from facts, soon found our reports authoritative, for they had seen through our reports China's real position and views on many a major issue.

The goal of the "Letter From Beijing" column was in fact decided by the goal of the LIAOWANG OVERSEAS EDITION magazine.

At the outset, LIAOWANG OVERSEAS EDITION, which was first published in the mid-1980s, just reprinted the domestic LIAOWANG magazine by abridging and taking out some of its original articles and inserting some new articles in it in an attempt to satisfy special appetites of the overseas readers. In a period of a little more than one year between September 1984 and the end of 1985, the LIAOWANG OVERSEAS EDITION was first published in New York. Later on, LIAOWANG OVERSEAS EDITION was reorganized, tailored to the actual needs of overseas readers, and published in Hong Kong in a completely new form. Nevertheless, LIAOWANG OVERSEAS EDITION is to cease publication soon. The publication of the above-mentioned reorganized LIAOWANG OVERSEAS EDITION in Hong Kong can also be regarded as the maiden publication of the magazine. At that time, it was decided that the reorganized LIAOWANG OVERSEAS EDITION should follow the following three principles: To serve as a "window" through which overseas people can observe and understand China; to serve as a "link" through which unity between the mainland compatriots on the one hand and the Hong Kong, Macao, and Taiwan compatriots, as well as Overseas Chinese on the other, can

be strengthened; to serve as a "bridge" through which friendship between the Chinese people and overseas personalities, especially the Overseas Chinese, can be publicized. The three principles are on no account parallel, for the last two principles hinge on the first one. Should it fail to serve as a reliable "window" through which overseas people can observe and understand China, the magazine would be definitely unable to serve as a "link" or a "bridge." Therefore, ever since the publication of LIAOWANG OVERSEAS EDITION, my colleagues and I have made unremitting efforts to provide our readers with a true picture of China in order to enable them to comprehensively and accurately understand China from different angles.

Now that LIAOWANG OVERSEAS EDITION is soon to cease publication, we should say a few words on whether or not it has attained its original goal. Though I have no idea what you think about this, my colleagues and I are basically satisfied with its achievements. Of course, there is no denying the fact that it has failed once in a while to provide our readers with an in-depth picture of China owing to our limited standard. At least we have never provided our readers with any distorted pictures like those seen in a distorting mirror or through a color filter.

That LIAOWANG OVERSEAS EDITION is soon to cease publication in no way means that the magazine has fully attained its goal. No, not at all. After LIAOWANG OVERSEAS EDITION ceases publication, the reorganized LIAOWANG will undertake some of the tasks of LIAOWANG OVERSEAS EDITION. For instance, the reorganized LIAOWANG is expected to retain the "Letter From Beijing" column. I will be grateful if you, my brother, can continue to render your support to the reorganized LIAOWANG.

[Signed] Bao Xin
[Dated] 19 September

New Rules Issued To Stop 'Illegal Emigration'

*HK0710050493 Hong Kong TA KUNG PAO in Chinese
27 Sep 93 p 4*

["Special dispatch:" "Ministry of Foreign Trade and Economic Cooperation Enacts Regulations To Plug Loopholes in Labor Export Rules and To Curb Illegal Emigration"]

[Text] Beijing, 26 Sep—The Ministry of Foreign Trade and Economic Cooperation [MOFTEC] recently issued a circular banning illegal emigration under the guise of state labor exports and promising investigations of any such cases.

The circular says that labor export as practiced by various international economic and technological cooperation firms has been good. Most of the companies have been able to operate according to law, exert strict controls, and prevent illegal emigration through state labor exports. But some companies may not have had a sufficiently strong understanding of policy and sound management practices. As their controls were lax, they were often cheated and taken advantage of by "snakeheads." A very small number

of multinational corporations, in their single-minded pursuit of economic returns, ignored the country's laws, colluded with "snakeheads" to engage in fraud and make fake papers to obtain passports to go overseas or emigrate illegally. There have been incidents in which young women were supplied to overseas entertainment industries, and this created very bad influences.

To stem the tide, MOFTEC has stipulated:

1. International economic and technological cooperation firms, design and consultancy units, manufacturing enterprises, and foreign trade firms with the right to operate foreign labor services must disseminate correct concepts about legal operations, exercise self-restraint, build and perfect a sound management system, tighten controls, and put an end to the phenomenon of illegal emigration through public labor exports.
2. Administrative departments from the concerned ministries and commissions and local economic and trade commissions (departments) must educate the public and cadres to raise their awareness of the importance, complex nature, and urgency of the fight against illegal emigration and to enhance the sense of their political responsibility. Administrative departments must educate international economic and technological cooperation firms within their jurisdictions about discipline and the relevant legal systems, must urge these firms to implement self-restraint and self-supervision regulations, and must prevent them from pursuing illegal emigration through public labor exports.
3. When a foreign labor export unit is found to have been involved in illegal emigration through public labor exports, the units in charge must promptly and in a serious manner file a written report to MOFTEC through their immediate supervisors, stating the names of perpetrators and recommendations. MOFTEC will notify the units concerned as to the appropriate disciplinary measures and criticisms based on the nature of offenses. Offenders will be handled by the unit's discipline inspection and supervision sections and those found to have broken laws will be handled according to the law.
4. Administrative departments or local economic and trade committees will investigate in a serious manner and make recommendations on those international economic and technological cooperation firms in Henan, Anhui, Liaoning, Weifang, Yintai, and Tianheng found over the last nine months to be exploiting public labor exports to smuggle people out of the country.
5. Reiterating the ban on sending young girls to entertainment industries (bars, night clubs, and cabarets) through labor export deals and on sending performing arts students overseas.
6. Legal labor exports should, however, be given every accommodation. Procedures should be simplified to further promote labor cooperation with foreign partners.

Changcheng Fraud Investigation in 'Final Stage'

OW0610151093 Beijing XINHUA in English 1448
GMT 6 Oct 93

[Text] Beijing, October 6 (XINHUA)—A six-month-long investigation into the massive Changcheng (Great Wall) fraud is now in its final stage, and the work of recouping investments has mostly been completed, an official said recently.

According to government departments concerned, most of the people who invested in the Beijing Changcheng Machinery and Electronics Scientific and Technological Industry Company (Changcheng) have recouped 90 percent of their investment.

The official, who is in charge of the inspection group of the State Administration for Industry and Commerce, said the Changcheng case was one of a sort rarely seen since the founding of New China, but it occurred in the initial stages of the development of a socialist market economy.

He also pointed out that investment means risks. The Changcheng case was a good lesson which taught those who want to buy shares and bonds that they must have knowledge of finance and securities and must be aware of the risks they face.

The Changcheng Company was registered in Haidian District of Beijing. The collectively-owned company set up more than 100 subdivisions and agencies in the country's 22 provinces, autonomous regions and municipalities.

Starting in June 1992, the Changcheng Company illegally issued bonds under the pretext of concluding "contracts on technology development" with an exceptionally high annual interest rate of 24 percent, first in Hainan Province and then in 17 cities across the country.

It collected more than one billion yuan from 100,000 investors in less than half a year.

Of the funds, 93 percent came from individuals and seven percent from organizations and enterprises.

The company's illegal collection of funds severely disturbed the country's economic order.

In April this year the government sent an investigation team to look into Changcheng's affairs. The government organized relevant departments to recover the company's funds and assets and to recompense defrauded investors.

Leaders of the Central Committee of the Communist Party of China and the State Council called repeatedly for tracking down all assets of the company and paid great attention to the investigation and funds recovery work.

The recoupment was divided into two stages; the first was completed in July this year and the second has ended in this month.

Most investors and the public have expressed satisfaction with the government's efforts.

A professor from the People's University of China said it was not easy to recoup the majority of the investment, but the government did it quite well.

However, some of the investors, who did not understand the real situation of the company, believed that they would have got their full investment returned together with the promised 24 percent annual interest if it had not been for the interference of the government.

In reality, the official said, the Changcheng group had been in debt to the tune of more than 40 million yuan before the bonds were sold.

In addition, only 25 million yuan out of the money illegally raised was used to develop and produce the energy-saving motors, and a considerable part of it was squandered or embezzled by Shen Taifu, the president of the company, he said.

The majority of the money was used for luxury office decorations extravagant wastes of the company's 100 branches.

The missing funds and assets could not have been recovered and the investors would have suffered an even greater loss if the government had not taken the measures to stop and investigate the massive fraud, he added.

Thanks to the efforts made by the inspection groups at all levels, a thorough examination of the account books of the Changcheng Company's headquarters and its 100 branches throughout the country, nearly 10 million yuan squandered and embezzled by Shen was recovered and the motors produced by the company worth 10 million yuan were sold at auction.

In fact, he stressed, the government paid no money for the recouping. The recoupment was fully based on the arduous and careful efforts of the investigators.

According to reliable sources, Shen and other people involved in graft and bribery in the case are now being dealt with by the judicial authorities.

Recently, the government launched a range of measures to straighten the financial system. These will help to promote a sound development of the national economy.

Liaoning Discovers Case of 'False Soldiers'

HK0710052193 Hong Kong LIEN HO PAO in Chinese 7 Oct 93 p 11

[Report by the Mainland News Center: "Over 300 People Are Involved in Cases of Falsely Claiming To Have Served in the Army"]

[Text] Beijing is vigorously launching an anticorruption drive. Beijing's HUASHENG BAO [CHINESE VOICE] has revealed a major case in which individuals made false claims about their military status. The case occurred in Liaoning Province early this year and involved over 300 people.

HUASHENG BAO revealed that a certain factory in a certain location in Liaoning Province received orders to

arrange jobs for approximately 400 demobilized soldiers early this year, but it discovered that 292 of them had never served in the Army. No clues could be picked from files or during processing, however. When asked, they could produce registration forms or official seals. In some files there were party membership registration forms, military rank certificates, and even merit certificates.

The investigation revealed that it was a major case of "the false soldiers business," which involved 43 military and civilian units at or above county and regiment levels, over 300 people, and more than 3 million yuan. Producing a false male soldier required 10,000 yuan; a female soldier, 10,000-15,000 yuan.

The report pointed out that the anticorruption drive is being thoroughly launched at this time, and, if a major case like this is not seriously investigated, the tragic "three ruins" situation—"ruining the party, ruining the people's political power, and ruining the great socialist modernization undertaking"—is very likely to come about.

Song Defu Addresses Personnel Exchange Conference

OW0610162093 Beijing XINHUA in English 1533 GMT 6 Oct 93

[Text] Beijing, October 16 (XINHUA)—Minister of Personnel Song Defu stressed here today that the personnel system, especially rational exchanges of talents, must meet the demands of the new situation.

At the opening session of a five-day national personnel exchange conference, Song said that in the present social and economic conditions in China, the further development of the forces of production called for enhancing the cultivation of talents, exploitation of talents and rational exchange of talents.

He said that the management of qualified personnel should gradually change from belonging to a work organization, or department, to belonging to society, and gradually change toward two types of professional selection, that is, departmental selection and individuals' choice.

He said that the key for the rational exchange of talents was to establish and develop the talent market.

He stressed the need to research the talent market, forecasting and defining the function and mechanism of the market and formulating policies and regulations.

He expected that by the year 2000, China will have the basic set-up of a complete talent market system for rational allocation of talent resources.

Ministry Forms System for Complaints Against Lawyers

OW0710125193 Beijing XINHUA Domestic Service in Chinese 0217 GMT 29 Sep 93

[Text] Beijing, 29 Sep (XINHUA)—To strengthen supervision over lawyers' performance, the Justice Ministry recently issued a "Circular on Establishing a Complaint

System so as to Strengthen Supervision Over Lawyers' Performance," and published a telephone number, 4660392, for concerned parties to lodge complaints against their lawyers.

The "Circular" demands: Various localities should actively organize the broad masses of lawyers to earnestly study relevant documents of the party Central Committee and the State Council on the anti-decadence drive and on rectifying malpractices in professions and trades; to study Comrade Jiang Zemin's important speech at the Second Plenary Session of the Central Discipline Inspection Commission; to improve the lawyers' ideological understanding; to further specify the importance of abiding by professional ethics and discipline; to teach lawyers to pay attention to both economic benefits and social benefits, with more emphasis on the latter, in their professional activities; to establish the notion of wholeheartedly serving the people; and to conscientiously resist and oppose the influence of "money worship" and "all for the sake of money" mentality. We should insist that lawyers serve reform, opening up, and socialist economic construction, and safeguard citizens' legitimate rights and interests; and we should enhance lawyers' professional honesty so as to establish a favorable image of them in society.

The "Circular" demands: Judicial administrative organs in various localities should devote a period of time to earnestly conducting an inspection of lawyers' practices. They should expeditiously establish a concerned parties' complaint system, install telephones for complaints, and publicize such information to the society through the media so as to strengthen social supervision over lawyers' performance. Upon receiving complaints and materials exposing lawyers, local judicial administrative organs and lawyers' associations should promptly investigate them. Problems, once verified, must be handled strictly without indulgence or without being too lenient.

To enhance the work in this regard, the Justice Ministry has established a Lawyers' Disciplinary Committee, headed by Vice Justice Minister Zhang Geng [1728 5087]. The Justice Ministry also urged various localities to establish, as soon as possible, lawyers' disciplinary committees at various levels in accordance with the "Disciplinary Regulations Governing Lawyers," and to earnestly perform the work accordingly.

Jiang, Others Attend Disabled Persons Conference

OW0610193893 Beijing XINHUA in English 1417
GMT 6 Oct 93

[Text] Beijing, October 6 (XINHUA)—The second national conference of the China Disabled Persons' Federation (CDPF) opened here today, with the aim of boosting the welfare of China's 50 million-plus disabled people and enhancing their social status.

The four-day conference, attended by 465 representatives of the disabled and those involved in undertakings concerning the disabled, will review the progress China has made over the last five years in improving the life of the

disabled and map out a new strategy to further promote their well-being in the 1990s.

Top Chinese leaders Jiang Zemin, Li Peng, Qiao Shi, Li Ruihuan, Zhu Rongji, Liu Huaqing and Hu Jintao, all members of the Standing Committee of the Political Bureau of the Communist Party of China (CPC) Central Committee, as well as Vice-President Rong Yiren, attended the opening ceremony held in the great hall of the people.

Speaking on behalf of the CPC Central Committee and the State Council, Vice-Premier Li Lanqing offered congratulations on the opening of the conference and paid tribute to disabled people and those working for them.

He also extended his best wishes for the disabled in Taiwan, Hong Kong and Macao.

Noting the achievements China has made in disability work over the past five years, Li Lanqing pledged the government's renewed efforts to create a more sound social environment for the disabled and to ensure that they be treated as equals in society.

He also called on the entire society to pay more attention to the life and work of the disabled and give them help whenever necessary.

In a work report given at the opening ceremony, Deng Pufang, CDPF chairman, hailed the progress China has made in boosting the rehabilitation, education, employment, environment, legislation and cultural life of the disabled population.

He said thanks to the success of a nationwide program launched in 1988, the life and social status of China's disabled people have improved markedly over the past five years.

The objective of China's disability work in the years before the year 2000 is to satisfy the basic needs of the disabled, ensure fair competition, and further improve their living and working conditions along with the development of the economy and the society, Deng Pufang said.

The CDPF chairman urged that the law on the protection of the disabled, China's first law of this kind, be carried out fully in order to protect the interests of the disabled.

He also appealed to all sectors of society to care more about the disabled.

Correction to Item on Jiang Watching Performance

HK0710031293

The following correction pertains to the item headlined "Jiang Zemin, Others View Theatrical Performance," published in the Political & Social section of the 6 October China DAILY REPORT, page 18:

Page 18, column two, please make sourceline of item read: Beijing XINHUA Hong Kong Service in Chinese 1456 GMT 2 Oct 93 (correcting source)

Make subslug of item read: [By reporters Zhu Youdi (2612 1635 2769) and Zhou Jiamin (0719 1367 2404): "The CPC Central Committee Sponsors Theatrical Performance at Zhongnanhai"] (correcting spelling of "Zhongnanhai")

Fourth paragraph, only sentence, make read: ...Light Music Orchestra, the Ensemble of the PLA General Political Department, the Ensemble of the.... (adding omitted group)

Science & Technology

'HT-7 Tokamak-Type' Nuclear Fusion Device Tested

OW0710074393 Beijing XINHUA in English 0716 GMT 7 Oct 93

[Text] Hefei, October 7 (XINHUA)—China has developed a HT-7 Tokamak-type super-conductive controlled nuclear fusion device.

The device, built in Hefei, the capital of Anhui Province, has just passed the technical appraisal by noted domestic and foreign experts here and will go into trial operation soon.

"This indicates that China has become one of the four countries in the world to have such a reactor and technology," said Huo Yuping, director of the Institute of Plasma Physics under the Chinese Academy of Sciences. The three other countries are Russia, France and Japan.

"It is another major development in the field of basic research after the development of an electron-positron collider, heavy-ion accelerator and synchronous radiation accelerator," he added.

Controlled nuclear fusion is regarded as a leading field of study of potential energy sources for the mankind in the future.

The HT-7 Tokamak-type controlled nuclear fusion system was developed by the Plasma Physics Institute under the Chinese Academy of Sciences following the success of a two-year-long, international joint research project.

Foreign experts who attended the technical appraisal here highly praised the Chinese scientists for developing the device within such a short period and with limited funds.

According to these experts, when the device goes into operation, the institute of plasma physics will have achieved "international laboratory standards."

Economic & Agricultural

Zou Jiahua Activities, Remarks Reported

Views Offshore Oil Field

HK0710041693 Beijing RENMIN RIBAO in Chinese 28 Sep 93 p 2

[Dispatch by reporter Fei Weiwei (6316 0251 0251): "Zou Jiahua Inspects Offshore Oil Field on the Bohai Sea and Points Out That, in Developing the Offshore Oil Industry,

We Should Simultaneously Cooperate With Foreigners and Manage Through Our Own Efforts"]

[Text] Beijing, 27 Sep (RENMIN RIBAO)—While inspecting the work of the Bohai Oil Company, part of the China National Offshore Oil Corporation, Zou Jiahua, vice premier of the State Council, said: Relatively good achievements have been attained in China's offshore oil industry over the past 10-odd years. We have imported funds exceeding \$3 billion, have discovered and developed a number of offshore oil fields, have trained a contingent of high-quality technicians, and have basically created an institution modeled on a large-scale international oil company. To develop the offshore oil industry, we should stick to the principle of simultaneously cooperating with foreign countries and operating the industry through our own efforts. Not only should we develop oil, we should also develop gas and strive to make greater contributions to the motherland.

Vice Premier Zou Jiahua inspected the Design Center and Offshore Platform Pipe Manufactory of the Bohai Oil Company in Tanggu, Tianjin, on 26 September. He also inspected Suizhong [4840 0022] 36-1 Oil Field, China's largest offshore oil field in the southwest waters of Liaodong Bay in the Bohai Sea, and attended a ceremony celebrating the oil field's official operation.

Suizhong 36-1 Oil Field, which boasts reserves up to 100 million tonnes, is the first offshore oil field prospected and developed by China itself, with a total investment of 1.8 billion yuan. The production situation is very gratifying now, and 11 oil wells have gone into operation with a daily output of 1,700 cubic meters. The ratio of energy production and oil and gas consumption is higher than the assessment of the original design, and it is anticipated that the peak productive capacity will reach 1.8 million tonnes. It will be completed two years ahead of schedule, and the total investment will be recovered in approximately eight years. The official operation of this oil field shows that the design, construction, installation, and management of China's offshore oil projects have reached advanced international standards.

Having been briefed on the construction and production of the oil field and shown around the China-built 75,000-tonne class oil tanker Mingzhu, Zou Jiahua joyfully wrote the inscription: "Develop oil fields for the motherland; Mingzhu in Bohai Sea resonates with radiant splendor."

Attends Airline Inauguration

OW0610155393 Beijing XINHUA in English 1513 GMT 6 Oct 93

[Text] Shanghai, October 6 (XINHUA)—China Eastern Air Group, the largest air transportation group in the country, was set up today in Shanghai.

At a ceremony for the establishment of the group, Vice-Premier Zou Jiahua and Wu Bangguo, secretary of the Shanghai municipal party committee, respectively expressed their congratulations to the group.

Zou Jiahua said that the establishment of the China Eastern Air Group is one of the important measures in the reforms in China's civil aviation sector.

He said that the group will enter a broader market for its business and face much higher demands in its work.

He urged the group to actively participate in the establishment of the socialist market economy and competition of international civil aviation business.

He said that he expected the group to make contributions in opening up the new Pudong Area, in the economic reform and development in East China, as well as in the development of China's civil aviation service.

The newly-established China Eastern Air Group is centered on China Eastern Airlines with 30 other enterprises engaged in tourism, foodstuffs, real estate, trade, financial business and advertising.

State Suspends One-Third of Development Zones

HK0710064093 Hong Kong TA KUNG PAO in Chinese 30 Sep 93 p 5

[Report: "With One-Third of Development Zones Suspended, Over 20 Million Mu of Land Has Been Recovered"]

[Text] China will further tighten its macroeconomic control and regulation over the land market, said Wang Xianjin, director of the State Land Administration Bureau, when attending a public occasion. So far, the country has suspended one-third of its existing development zones; recovered land which developers had failed to develop on schedule; and halted examination and approval of projects occupying relatively larger areas of land, such as golf courses. During each of the few years from now to 2000, the total amount of land sales will be controlled at about 4 million mu.

Wang Xianjin noted that as of the end of 1992, all provinces, autonomous regions, and municipalities on the mainland, except Tibet, had been engaged in the sale of land use rights. The land use rights of an accumulated total of over 4,000 pieces of state land had been sold, covering a total area of about 25,000 hectares [ha].

During the period from January to June 1993, the land use rights of another 3,000 pieces of state land were sold, covering a total area of 22,000 ha. However, some localities failed to keep a balance between the supply and demand of land, to take effective control and regulatory measures, or to improve the irrational structure of land use; some abused their authority to approve land sales or occupy land in violation of the law; while others blindly set up development zones and occupied large areas of land, thus causing a huge waste of land resources. Moreover, various markets failed to adopt sound control and regulatory measures or properly put them into effect; as a result, large numbers of speculators have availed themselves of loopholes and hoarded land for speculation, thus creating

a chaotic scene in the market. Therefore, there is an urgent need for strengthening control and regulation over the land market at the present stage.

Wang Xianjin said: The recent nationwide move to rectify the land market is aimed at solving problems which lead to an unstandardized development of the land market. Attention will be focused on illegal activities cropping up in the course of market operation, such as abusing authority in land sales, arbitrarily relaxing conditions on land use, reducing land prices or allowing exemptions, and selling land for personal gain. Efforts will also be made against various illegal practices in land use, including occupying land through illegal means; leaving land unused; changing the use of land and other land use conditions without authorization; refusing to carry out development and construction according to stipulations set out in contracts; and arbitrarily leasing, selling, or transferring on security land use rights. Meanwhile, rectification will be carried out in real estate development companies, and companies which do not possess land development capability and engage themselves in tax evasion and falsification of registered capital will be abolished or merged.

Wang Xianjin indicated that various development zones numbering over 3,000 across the country have been screened, and as much as over 20 million mu of land recovered, of which about 7 percent is farmland. Localities which have sold relatively larger amounts of land, such as Guangdong, Hainan, and Guangxi's Beihai City, have also retrieved quite a bit of land during the recent period. Recently, Qinhuangdao City recovered five pieces of land totaling more than 5,000 mu, accounting for 30 percent of the total land area the city has sold.

Wang Xianjin noted that China's recent move to regulate and rectify the land market does not mean that China will set restrictions on the land development of foreign businessmen, nor will it set a limit on the amount of land sold to foreign businessmen. What China intends to achieve through regulating and rectifying the land market is maintaining control over the capital and credit flowing to the land and property markets. The government will continue to offer support to foreign businessmen with real economic strength, as well as to domestic enterprises which have sufficient self-provided capital so long as they engage themselves in real estate development and not in speculation. However, the total amount of land sales needs to be kept under control on a national scale. China plans to keep this year's total amount of land sales at about 4 million mu, which is the same level as last year; and will maintain this annual amount of land use during the years leading to 2000.

'Roundup' Cites Minister on Ore Production

OW0710085893 Beijing XINHUA in English 0715 GMT 7 Oct 93

[“Roundup” by Li Zhurun: “China One of World's Biggest Mineral Ore Producers”]

[Text] Beijing, October 7 (XINHUA)—China is now the world's third largest producer of mineral ores, yielding 5.7

billion tons, according to Zhu Xun, Chinese minister of geology and mineral resources. China follows the United States and Russia, said Zhu at a meeting on Wednesday [6 October] to mark the 40th anniversary of the National Mineral Reserves Committee (NMRC). The minister is concurrently chairman of the committee.

The country now has 9,000 state-owned mines and 260,000 run by rural collectives or privately. Over 300 new towns have sprung up throughout China in tandem with the development of the mining industry, he said.

All 163 minerals being used have been found in China. Over 20 of them have the biggest reserves in the world.

Zhu also said that geologists have found China holds a potential annual average of 870 billion cubic meters of underground water, enough for one-third of the Chinese population and for irrigating 30 percent of the farmland.

NMRC formulates and revises government decrees for geological prospecting and protection of the state ownership of mineral resources. NMRC and its provincial branches have approved 7,000 reports on minerals and underground water discoveries to help ensure sound planning for the building of new mines, Zhu said.

The reports, said Zhu, involve mines that supply China's largest iron and steel complexes, including the Anshan, Wuhan and Baotou companies, as well as the coal bases of Dongsheng in Inner Mongolia.

Since 1983, said Zhu, NMRC has contributed to the development of more than 20 oil fields, including Daqing, China's largest; Shengli in Shandong Province; and the Tarim in the Xinjiang Uygur Autonomous Region.

One of the most recent projects involving NMRC is the development of the northern Shaanxi natural gas field, which is able to supply the cities of Beijing, Xian, Yinchuan, Xianyang and Yanan for up to 60 years, Zhu added.

Ministry Reports 65 Million Tons of Steel Output

OW0710090693 Beijing XINHUA in English 0844
GMT 7 Oct 93

[Text] Beijing, October 7 (XINHUA)—From January to September this year, China produced 65.28 million tons of steel, an increase of 11.48 percent over the same period of last year.

If the industry maintains the same rate of growth for the remaining three months, this year's total steel output will exceed 85 million tons, according to sources from the Ministry of Metallurgical Industry. Last year China produced 80 million tons of steel.

In the past few years, China's iron and steel industry has been developing at a fairly high speed, with technological and product structures improved as well.

Materials show that the country's casting capacity, which marks the technological level of steel industry, has risen to 30 million tons. A number of new projects, such as the first and second-stage projects of Baoshan Iron and

Steel Company and the Tianjin Seamless Steel Tube Plant, have introduced advanced smelting and rolling equipment.

At present, the output of steel tubes and plates, which are in urgent demand on the market, constitute 37 percent of total output of rolled steel. The output of rolled steel for the state's key construction projects has also increased.

The output of low-alloy steel and high-quality shaped steel increased at a high speed, increasing 7.16 percent and 17.08 percent, respectively, in the first eight months of 1993, compared with the same period of last year.

The organizational structure of China's steel enterprises has also experienced prominent changes. At present, some 80 percent of the country's steel is produced by major enterprises that have an annual output capacity of over 500,000 tons. The Baoshan, Anshan, Wuhan and Pan-zhihua Steel Companies have organized four large enterprise groups, while another six steel enterprise groups are being formed.

Automobile Production, Sales Show 'Drops'

OW0710063693 Beijing XINHUA in English 0604
GMT 7 Oct 93

[Text] Beijing, October 7 (XINHUA)—In August this year China's major auto enterprises produced 87,900 motor vehicles and sold 79,800, both figures showing drops of nearly 10,000 compared with July, according to the latest statistics from the China National Automotive Corporation (CNAC).

After 30 months of high-speed development, China's auto industry began to decline in May, and starting from July this year, auto production and sales dropped even faster. July saw a drop of 17,000 cars in both production and sales compared with June.

Sources say that in China's present auto market the supply of heavy, medium-sized and light trucks, light and mini buses and cars all exceed demand. Light trucks, buses and cars in particular, are seeing stocks mounting.

Due to a weakening market, auto prices that had kept rising are dropping. The price for a Santana car, produced in Shanghai, has dropped by about 20,000 yuan.

The CNAC predicted that the decline will last for about one year, but the fluctuation might be less serious than that of 1989.

Officials in charge of the industry analyzed that major reasons for the slump are the state's recent moves to rectify financial order and reinforce macro-control, especially the control of bank loans and institutional purchasing power.

And yet they are still optimistic about the overall condition of the auto market, and hold that the increasing stocks have not reached the warning line.

The officials believe that price cuts will make the whole auto price system more rational. The average profit of the international auto industry is around five percent, while at

present China's auto sales profit is as high as 30 percent, and the production profit ranges from 10 percent to 20 percent.

Statistics show that from January to August this year China's major auto factories produced 827,300 vehicles and sold 783,600, increases of 34.97 percent and 28.95 percent, respectively, over the same period of last year.

Based on this, the officials believe that this year's auto production and sales will still be able to exceed those of last year. And there will be no problem fulfilling this year's target of producing 1.25 million vehicles.

Since the commencement of the state's opening and reform policies in the late 1970s China's auto industry has experienced rapid development. At present, the country has 126 auto-assembling enterprises and 5,000 refitting plants.

However, experts have pointed out that the overall level of the country's auto industry is still low, and the output volume, output value, efficiency and export ability all fall far behind those of the major automobile manufacturing countries. The major reasons for this are insufficient investment, irrational industrial structure and imbalanced economic scale.

To obtain a reasonable development speed for the auto industry, the state council has issued a circular demanding that the examination and approval of new car and light vehicle projects be strictly controlled and those not listed in the state's plan be canceled.

'First Discussion' on Regulation, Control

HK0410145493 Beijing LIAOWANG in Chinese No 37, 13 Sep 93 p 3

["LIAOWANG Forum" by Lin Wei (2651 0251): "Unify Understanding on Central Policy—First Discussion on 'Strengthening and Improving Macroeconomic Regulation and Control'"]

[Text] At present, we should implement the central policies aimed at strengthening and improving macroeconomic regulation and control by ending regionalism, unifying understanding on the macroeconomic regulation and control decisions mapped out by the CPC Central Committee and the State Council, and observing and tackling new contradictions and problems in the economic domain by adopting an overall and long-term point of view.

Now the whole party and people of the whole country are conscientiously implementing and carrying out a series of policy measures formulated by the CPC Central Committee and the State Council with an eye to enhancing macroeconomic regulation and control, and have already achieved some results. Nevertheless, China's overall situation shows that some localities and units have failed, both ideologically and in action, to implement the aforementioned central policies to the letter. While some localities and units are saying that they "feel all right," contending that their small-scale capital construction has not much to do with the ongoing regulation and control campaign,

others are demanding that they "be given special treatment" because they are under special circumstances. Certain localities and units are still willfully bent on blindly expanding their capital construction scale and building new projects. Should such problems fail to be tackled in a timely manner, it will be impossible to implement the central policies and measures to the letter.

Strengthening and improving macroeconomic regulation and control is at once an objective demand and a crucial component of the modern market economy. Practice has proven that, despite its unparalleled superiority, the market mechanism is also known for its weaknesses and negative aspects. Even Western countries, which are known for their relatively developed market economies, have long ago stopped wholly relying on the market mechanism and started placing the economy under the government management and macroeconomic regulation and control in varying degrees. As China is moving toward a market economy, the central authorities have formulated all sorts of measures for improving and strengthening macroeconomic regulation and control in light of new problems occurring in the country's economic operation. They are timely and correct measures.

It should be noted that the macroeconomic regulation and control under discussion at the moment fundamentally differs from the macroeconomic regulation and control under discussion in the past. Thus strengthening macroeconomic regulation and control does not suggest genuine and comprehensive austerity, summary improvement and rectification, or any return to the old planned structure. Rather, it suggests a well-measured and well-placed structural readjustment to be mainly effected by means of such economic levers as interest rates, exchange rates, and others, and supported by the necessary administrative and legal procedures. By strengthening macroeconomic regulation and control, we should strive to create a harmonious environment conducive to a comprehensive and in-depth economic structural reform; bring about a sustained, high-rate, and healthy economic growth; and press ahead with overall modernization.

In the course of strengthening and improving macroeconomic regulation and control, certain localities and departments are bound to see their immediate interests adversely affected. However, in order to prevent the overall and fundamental interests from being impaired, we must strive to politically, ideologically, and in action, maintain a high degree of unity with the central spirit in order to ensure both strict enforcement of orders and prohibitions and concerted action as well. To this end, we must cultivate an overall point of view, become more conscious and firm in carrying out the central spirit, and focus on resolving the following problems at the moment:

First, we should strive to eliminate the "indifferent" mentality. As to whether an economic operation is overheated or not, people who view it from different angles or by standing on different high planes will certainly come up with different answers. So long as we adopt a scientific approach and observe the current economic situation in

accordance with the law of economic growth, we will definitely realize that the economic operation should be viewed at the macroeconomic level rather than the regionally based, departmentally based, or unit-based microeconomic level. By analyzing macroeconomic operations, we mean to make a systematic analysis of the recent aggregate economic volume, including economic growth, employment rate, inflation rate, revenue-expenditure ratio, and so on. By making such an analysis, we will find that three factors, namely, unbalanced aggregate economic volume, structural deterioration, and soaring inflation, are the exact indications of an overheated macroscopic economy. In a nutshell, excessive economic growth is the hotbed of an overheated macroscopic economy. Should the local levels turn a deaf ear to the central level's call for cooling down an overheated economy, in total disregard of the actual local conditions, the macroscopic economy would definitely become overheated. From this, we can see that the "indifferent" mentality is a harmful one that should be weeded out in practice.

Second, we should strive to do away with such an erroneous mentality that "honest people always suffer." Some comrades held that during the previous round of the improvement and rectification campaign, certain localities resorted to flexible measures and approaches and enjoyed rapid development whereas other localities, which "honestly implemented the central policies to the letter," "suffered" in the end. As a result, they adopted a wait-and-see attitude toward the ongoing campaign aimed at strengthening macroeconomic regulation and control. This mentality is excusable insofar as partial and short-term interests are concerned. However, by viewing this question from such a high plane as nationwide reform and development, we will come to realize that only after the overall national interests are guaranteed will the partial and local interests be guaranteed in the end. Moreover, the ongoing macroeconomic regulation and control campaign is directed at all sorts of unstandardized practices contradictory to the state laws and policies, including illegal practices, as well as at certain economic practices incompatible with the new economic development pattern and caused by the old structural inertia. It is not directed at those "honest people" who have all along actively implemented and carried out the policies and measures of the CPC Central Committee and the State Council and followed the overall orientation of reform and development. From this, we can see that really "honest people" will not suffer this time.

Third, we should strive to eliminate such an erroneous "wrestling" mentality as "offsetting the central policies with the local countermeasures." In recent years, some localities have publicized their "successful experiences" of economic growth, such as "offsetting the central policies with local countermeasures," "putting an end to whatever the central authorities have banned and giving the green light to whatever the central authorities have not explicitly banned." We should correctly view all these so-called experiences. It should be noted that as China's policies are to be implemented in the whole country, they are strong in principle and applicability. Therefore, all localities and

departments should strive to implement and carry out the central policies by seeking truth from facts, proceeding from actual conditions, integrating the central spirit with the local realities, and carrying out creative work. However, by "creative work," we definitely do not mean "resistance to" or "wrestling with" the central policies. Since the two things fundamentally differ from each other, they should not be placed on a par. In a long-term and development point of view, the deepening of the structural reform and perfecting of the macroeconomic regulation and control system will leave less room for the local level to "wrestle with" the central policies. Therefore, instead of persisting in the incorrect "wrestling" practice, the local level should strive to push ahead with economic growth in accordance with the relevant central policies. Only by so doing will the local level be able display good faith and embark on a correct path.

Article on Selling Stock for Cash, Part Two

HK0110142793 Beijing JINGJI CANKAO BAO in Chinese 7 Sep 93 p 4

[Article by Zuo Mu (0146 3668) of the State Council Development Research Center: "Issuing 'Warranties' To Finance Old Enterprises' Technological Transformation—Second Installment of a Series on Strategies To Expedite the Reform of State-Owned Enterprises Centering Around the Joint Stock System"; Part One was published in the 22 September China DAILY REPORT, pages 49-52]

[Text] Two Main Difficulties Facing Enterprises in Flotation

There are two main difficulties for firms planning to finance themselves through flotations.

1. Many old enterprises urgently need funds for technological transformation, but owing to outdated equipment and machinery, low operating returns, and poor performance records, they are unable to attract outside funds.
2. Projects that should be launched immediately have, of course, no performance to offer. At present these projects often attach themselves to a large, healthy enterprise that, on the condition that the state is keeping its portion of the ownership rights, will issue its shares to the general public and corporate entities on the strength of its goodwill, and will finance the project with the money gained from the share issue. For example, a cement plant with a 300,000 tonne-capacity in a certain city has seen its shares snatched up by the public because of its high returns and the high demand for its products. The factory then expanded the shares issue. The money thus gained, however, was diverted to finance the construction of another cement factory of the same capacity. The new project got off the ground thanks to the financing through the joint stock system, but that was not proper because share prices were determined by the performance of the old cement factory. The state is still keeping all the shares of the company, while the funds raised were used to finance another new project, which is not expected to generate any returns in the next two or three years. This means that dividends for each new share have dwindled. In similar cases overseas,

the share prices of the factory would have tumbled, but in our country, this kind of share somehow became a hot item, with prices shooting up due to speculation, as if nothing untoward had happened. Obviously this is not fair to shareholders. When such a situation happens, concerned government departments and securities experts have the responsibility to point it out to the shareholding public.

A New Item Is Urgently Needed in the Securities Market: "Warrants"

There are now some 40,000 large and medium-sized manufacturing and backbone enterprises that were built 70 years ago. The main problem for them is that there is a complete range of industries, but no single industry enjoys any large advantage. The equipment and factory buildings of most of these enterprises are old and worn out. It would require tens of billions to technologically transform and modernize old enterprises in our country. In conclusion, both the technological transformation of old enterprises and new projects attaching themselves to old ones need to raise funds through the joint stock system. The joint stock system enables old enterprises to pursue technological transformation and makes funds immediately available for new projects. The flotations of old and new enterprises, in turn, will promote the development of the joint stock system and will provide new dynamism and vitality for our country's securities markets. This can kill two birds with one stone; we must pursue it vigorously. The problem is to find the right method, one that plays by the rules of the securities markets.

I believe that to solve the problem effectively of supplying capital for old enterprises' technological transformation and for launching new projects, the first priority is to add a new item to the securities market: "warranties." Raising funds through warranties or warrants is a proven method of financing which often is adopted by corporations in Hong Kong. The issue of warranties actually means "advance stock selling." When due, warranties can be exchanged for the company's stocks, either in the same or in a different category (in Hong Kong it often takes three to four years before a warranty is due for exchange for stock). A warranty, therefore, is also called a certificate of claim to stock, and can be circulated on the market, although it does not earn any dividends or interest. This explains why prices for warranties must stay lower than the initial issuing price. Financing through warranties, therefore, is especially good for old enterprises' technological transformation and for new projects, both of which require one, two, or three years to make returns. Warranties can fill in this "time gap" perfectly.

How To Operate "Warranties"

We can devise certain rules and regulations for the issuance of warranties in line with the situation in our country. For example, if a certain old enterprise or a new project needs funds to pursue technological transformation or get started, first we need to study to ascertain when the project can start actual production, its returns, its gross capital value, and the specified unit price for a share. Then

warranties can be issued at prices specified for the initial issue. If the fund-raising company is a listed one, then the price for its warranties should be lower than its stocks currently being traded on the market in order to compensate warranty purchasers for forgoing interest and dividends. As stated before, shareholders cannot receive dividends on their warranties, but once the enterprise in question starts operating, they can trade their warranties for stocks issued by the enterprise.

Issuing warranties carries both opportunities and risks for enterprises and shareholders. For an enterprise, it obtains a large sum of money for transformation or for launching new projects without paying interest or dividends. If, after three years, the unit price of the first issue on the market is much higher than their specified issuing price, shareholders will gain much, which means that the enterprise will suffer in revenue. On the other hand, if after three years the market price is lower than the issuing price (which is perfectly possible, as in the case of the B shares of a certain enterprise in Shanghai which fell below the issuing price on the first day of trading in Hong Kong), that means the warranty issue is a failure. The enterprise does not lose anything financially, but its reputation will suffer and its image will be tarnished, which may have a long-term negative impact on its operations.

On the other hand, warranties are always a good opportunity for shareholders interested in long-term investment. Of course, if the transformation of the enterprise has not gone well, or if the new project is delayed, leading to a drop in the market price of the stocks issued, warranty purchasers might end up with nothing or may lose some interest. Warranty purchases, like stock purchases, also carry risks.

The key to success for warranty issues lies in an accurate feasibility study, and a good program and action plan. Therefore, raising funds through advance selling of warranties increases the responsibility of enterprises for society, but reduces wastage in new projects, and therefore helps raise investment efficiency.

I recommend that departments concerned incorporate warranty issues in the joint stock system experiment and extend the program after it has been proved effective.

Article Views Assets Use in State Enterprises

HK0710124593 Beijing JINGJI GUANLI in Chinese No 9, 5 Sep 93 pp 31-34

[Article by the Enterprise Department of the State Economic and Trade Commission: "On the Forms of Assets Operation in State-Owned Enterprises"; edited by An Luming (1344 6424 2494)]

[Text] From May 10 to 13 1993, the Enterprise Department of the State Economic and Trade Commission convened in Taiyuan the Symposium on the Forms of Enterprise Operation. The symposium exchanged information on experiments in the present contract-based system, separate flow of taxes and profits, and the joint stock system;

studied problems; and presented suggestions for improvement on a preliminary basis.

I. On the Contract-Based Enterprise Management Responsibility System

1. Basic situation of the contract-based system carried out by enterprises in general.

The representatives believe that the contract-based system is the outcome of reform, fits the level of development of China's productive forces, and has played an important role in intensifying reform and invigorating state-owned enterprises under the economic system in which planned economy is combined with market regulation. In the course of the continuous development of a socialist market economy, it still tallies with the actual situation of the great majority of enterprises. However, there are also some defects in the contract-based system, which faces a number of problems. They are mainly:

First, market variable factors have increased, the contradictions stand out sharply between the "fixed contract base" and the ever-changing external environment, and policies vary. All these lead to disproportion between the results of enterprise production and operation and its operation and management level, and make the original rational contract base "irrational."

Second, large amounts of enterprise profits have been transferred in recent years to circulation taxes and loan interests, and great changes have taken place in the relations of proportion between taxes and profits, from 46:54 in 1985 to 80:20 in 1992, and the profits contracted by enterprises have been greatly reduced, thereby preventing some large and medium-sized state-owned enterprises from being to carry out technological transformation.

Third, a small number of local governments and enterprise leaders have short-term behavior. Influenced by rigid interest demand on the part of staff and workers, some contract-based enterprises have introduced the methods of writing off fewer and hanging up more expenses, or not drawing depreciation or drawing fewer depreciation and overhaul expenses, which means enterprises losing money instead of making profits.

Fourth, the irrational economic structure has been solidified in some areas. The quotas of profits delivered to the higher authorities are apportioned to enterprises through contracts. "Whipping the fast oxen" and yielding to lagging enterprises have, to a certain extent, aggravated the situation of "those enterprises that should live not living well," and "those enterprises that should die remaining alive."

Fifth, the cost will increase for a large number of enterprises after they carry out "the two regulations," and large areas of losses or meager profits will appear. Whether or not linkage of the original contract base with working performance should be readjusted, and how it could be readjusted, must be determined through study, to work out feasible methods.

The representatives to the meeting unanimously believe: There are some defects and problems in the contract-based management responsibility system, but taken as a whole it has more advantages than disadvantages, and has merits that cannot be replaced by other forms of operation. At present and for the foreseeable future, under the circumstances of other forms of operation not having the conditions for popularization on an extensive basis, the contract-based system remains a feasible form of assets operation and should continue to be upheld and improved on the basis of promoting what is beneficial and abolishing what is harmful. The representatives to the meeting emphasized that in the course of moving to a market economy system we should not easily announce when the contract-based system should be stopped without exception. We should allow each enterprise to follow, based on its practical situation, the contract-based system, the joint stock system, or a separate flow of taxes and profits, whichever fits it, and achieve gradual transition and smooth linkage.

2. On general input and output contracts.

In recent years, aiming at the serious aging problem of large and medium-sized enterprises, some localities in China have selected, according to the state's industrial policies, a small number of backbone enterprises that have extremely heavy tasks of technological transformation to carry out general input and output contracts. According to incomplete statistics, enterprises that carry out general input and output contracts account for about 3 percent of industrial enterprises in the state budget.

General input and output contracts are those in which enterprises are contracted for output as well as input. It primarily leaves enterprises with corresponding input based on the requirements for technological transformation. The general practice is: The quotas of taxes and profits delivered are set, and the taxes and profits are submitted to the higher authorities along two lines. It ensures taxes to the state, and invigorates enterprises by profits. When the profits contracted by enterprises cannot meet the needs of the task of technological transformation, an appropriate part of the taxes in excess of the quota will be returned to enterprises. Such an approach is not simply contracted for taxes, but has properly reduced the tax rate of product tax (increment tax) which embodies the preferential treatment in policy.

There are four outstanding characteristics in the general input and output contracts developed by various localities: First, they are all large and medium-sized backbone enterprises of energy, raw and processed materials, and other basic industries that have heavy tasks of technological transformation. Second, they are all top enterprises that earn profits and pay taxes. Third, they carry out "reform at self-expense" under the prerequisite that their profits delivery to the treasury of the central authorities is not affected. Fourth, the terms of contracts are all over five years, which effectively inhibits short-term behavior. Fifth, none of the enterprises currently carrying out general input and output contracts is failing.

Judging from the results of experiments in various localities, the general input and output contract has to a certain extent made up for the deficiency of the contract-based system in general. First, it can generally stabilize the distribution relations between the state and enterprises. The period of contract in general is set for five to 10 years, and the profits and taxes delivered increase progressively by an average of 7 to 10 percent (up to 15 percent for some enterprises) per year, which ensures the steady growth of the state's financial revenue, and enhances the accumulation capacity of the enterprises themselves. Second, it steps up the responsibility of enterprises for operation. As the profits and taxes delivered are fixed in the contract, the source of funds in the hands of enterprises increases, the ability of enterprises to adapt to market changes is greatly enhanced, and the consciousness of enterprises to improve product quality, readjust structure, improve management, and transform mechanism is constantly heightened. Third, enterprises will tend toward long-term behavior. The lengthening of the contract period of general input and output contract has greatly enhanced the stability of policy, and the restraint mechanism of enterprises themselves has been hardened.

3. Suggestions for improvement in the contract-based management responsibility system in general.

First, enterprises whose products face the market, whose prices are basically released, and whose tasks of technological transformation are not heavy, may first change over to a standardized separate flow of taxes and profits when their contract terms expire. Enterprises whose contract terms have not yet expired should still carry out the original contracts. But after the implementation of the "two regulations," the contract base should be appropriately readjusted for enterprises that have great difficulties, or they may change over to separate flows of taxes and profits on a voluntary basis.

Second, if enterprises that have heavy tasks of technological transformation are still required to continue on their contracts when their contract terms expire, the contract plans should be improved according to the following train of thought:

1. Take fulfillment of the task of technological transformation as the primary goal; i.e., fix on a contract basis the task of increments of fixed assets (net value).
2. The base of profits delivered to the higher authorities and the level of profits retained by enterprises are determined according to the relative importance of the task of technological transformation.
3. The accounts should be readjusted according to the new accounting system laid down in the "two regulations." Depreciation funds should be increased, and the welfare funds and wages of the staff and workers should be drawn in proportion. Incentive funds go to cost, and excessive income and retained profits go to public accumulated funds and public welfare funds to be used as expenses for technological transformation and staff and workers welfare.

4. In fixing the contracted base of profits delivered to the higher authorities, we should correct it according to the average funds profit rate in the same industry in the locality, so as to ease the contradiction of "whipping the fast oxen." It can also be put in place by grades by reference to the different income tax rate practically existing at present.

5. The contracted profits in excess of the base can be distributed as retained profits in proportion, or a part of the contracted profits can be delivered to the higher authorities according to progressive increase in the base.

6. To carry out a risk mortgage contract, and build up restraint mechanism. Enterprises that cannot fulfill the task of technological transformation or the task of delivering profits to the higher authorities shall make compensation in the order of a risk deposit in security, public accumulation fund, and public welfare fund.

7. Money-losing enterprises can still carry out loss reduction contracts.

II. On the Separate Flow of Taxes and Profits

1. The problems existing in the experiments on separate flow of taxes and profits.

First, various localities universally report that the separate flow of taxes and profits has weakened the role of the enterprise incentive mechanism, and has reduced the pressure on enterprises and the staff and workers.

Second, if no corresponding rules and regulations and measures are taken after a separate flow of taxes and profits is effected, there would appear enterprise tax evasion and other behavior, which affects the state's financial revenue.

Third, the policy of after-tax loan repayment can play the role of inhibiting blind credit and expansion of investment scale, but it is also unfavorable to enterprises to strive energetically for loans to carry out technological transformation and strengthen enterprise potential for future development, especially unfavorable to those old enterprises that require transformation badly.

Fourth, the loan burdens of state-owned enterprises now are very heavy, and the method of "separate flow of taxes and profits" still cannot solve the problem.

2. Suggestions for an improvement in the separate flow of taxes and profits.

First, the guiding ideas of carrying out a separate flow of taxes and profits should be: Proceed from being beneficial to reducing the overall tax burdens of state-owned enterprises, especially large and medium-sized enterprises, mobilizing their initiative and strengthening their vitality; take into full account of the situation of unbalanced development of China's economy and the practical situation of enterprise bearing capacity resulting from historical causes; narrow the gap between them and other economic types of enterprises; and gradually proceed to achieve equal competition.

Second, reform of circulation tax and income tax should be carried out in a complementary manner under unified planning with due consideration for all concerned. At present, the circulation tax is included in the calculated prices, and its relation with profits is one of "as one falls, another rises." To implement and popularize the separate flow of taxes and profits, we should appropriately reduce the rate of circulation tax and expand the portion of profits. Thus, it will be possible to carry out a separate flow of taxes and profits on the link of profits. If the situation is that there is no profit to share, it will affect the initiatives of enterprises to carry out a separate flow of taxes and profits. It will also lead to a "zero" profit situation like that of foreign-invested enterprises with no revenue for state finance.

Third, the plans for a separate flow of taxes and profits should be designed in combination with the readjustment and standardization of categories of taxes and tax rate, and with starting new categories of taxes. Some circulation taxes should gradually change to ones that are not included in the calculated prices. Consumer goods can first be changed to ones whose taxes are not included in the calculated prices.

Fourth, enlarge tax funds and appropriately increase categories of taxes, such as insurance taxes, gift taxes, real estate taxes, and personal income tax, so as to enhance the consciousness of all the people to pay taxes, alleviate the contradiction of great disparity in social income, increase the state's tax revenues, and reduce the tax burdens of state-owned enterprises.

Fifth, enlarge the tax base, standardize categories of taxes, reduce all kinds of unstandardized tax supplements, and solve the problem of insufficient development expenses for some public undertakings by enlarging the budget so as to avoid the following situation: Those in subordinate positions will follow the example set by their superiors, each goes his own way, and start collecting additional taxes arbitrarily.

Sixth, properly solve the problem of long-standing loans and potential losses for enterprises, and reduce their interest burdens. Those accounts that should be hung up, let them be hung up, those that should be swallowed, let them be swallowed, and those that should be verified and written off, let them be verified and written off. Some "appropriations should be changed to loans"; and some "loans should be changed to appropriations." Enterprises with the correct conditions should speed up depreciation and use it for repayment of loans.

Seventh, carry out the policy of "ensuring taxes to the treasury, and invigorating enterprises by profits." As the owner, the state retains the right of income to the after-tax profits of enterprises, but according to the stipulations of the "regulations," enterprises should be exempt from after-tax burdens, and the profits can be used for development of production within a period of time.

Eighth, the assets built up by loan repayment by self-possessed funds of state-owned enterprises (depreciation,

after-tax profits) should be state-owned in nature, but they should be somewhat different from the capital in cash put in by the state. The enthusiasm of enterprises for self-development should be mobilized by rationalizing the equity relations.

Ninth, in taking steps to popularize separate flow of taxes and profits, we should take into full consideration the unbalanced situation of economic development, and must not go in for "one cutting." Under the circumstances that various forms of operation exist simultaneously, enterprises should be allowed to make choices. Experiments must be made in combination with "clearing of assets and assessment of capital" and the implementation of the "two regulations." The unity of tax rate can be put in place in steps, and gradually move steadily from the contract-based system to a separate flow of taxes and profits. Based on China's current income tax rate, we may consider setting up tax rates of 33 percent, 30 percent, 27 percent, 24 percent, and 15 percent, and enterprises may fit themselves in the proper grade according to its practical level, and then gradually move toward unity. Or tax rates can be determined based on the present actual tax burdens of contract-based enterprises, and if they accord with the conditions, enterprises may gradually make experiments when contract terms expire.

Tenth, step up the work of tax collection and management. The work of tax collection and management should cover the whole society, and we should not just fix our eyes on large and medium-sized state-owned enterprises. Great efforts should be made to block escaping, steaming, dripping, and leaking of taxes in other respects to enlarge tax funds, increase financial revenue, reduce the tax burdens of large and medium-sized state-owned enterprises, and gradually achieve equal taxation.

III. On Experiments on the Joint Stock System

1. The situation of experiments and the major problems.

In recent years, various localities have taken steps to experiment with the joint stock system. As an organizational form of enterprise properties, the joint stock system has displayed a certain positive role. However, various localities have also come across many contradictions and problems in the course of experiments, they are mainly:

First, few enterprises are selected for the joint stock system, and their integration with the state's industrial policies is low. At present, in the great majority of provinces and municipalities, the structural reform commissions are in charge of the examination and approval of enterprises under the joint stock system, and the comprehensive departments in charge of state's industrial policies and structural readjustment did not take part in the job. Therefore, inadequate attention is paid to industrial policies in selecting enterprises for experiments, and some of the funds raised have not been used on projects that require vigorous development and support.

Second, the development of the joint stock system lacks effective control. The state has exercised strict control over

the plate of listed companies, but has not imposed restrictions on the establishment of directional fund-raising companies. In order not to let local funds flow out, some localities have approved many directional fund-raising companies, and have changed the normal monetary order.

Third, it is common to see areas paying attention to fund-raising and taking system transformation lightly, and of attaching importance to examination and approval and taking management lightly. The enterprises that have changed their system and government departments have not adequately understood the significance of experiments in the joint stock system. Quite a number of enterprises believe that once the funds are in hand everything is just fine. They pay little attention to how to step up enterprise internal management, and how to transform operational mechanisms. Some departments have not made timely changes in functions, and managed the enterprises under the joint stock system by old ideas and methods. In the joint stock system enterprises, the shareholders meeting, the board of directors, the board of supervisors, the CPC committee meeting, the staff and workers representatives assembly, and factory affairs meeting exist simultaneously, and there is no clear saying as to how to define the duties incumbent on each of these meetings and how to handle their mutual relations. This also affects the transformation of enterprise mechanism.

Fourth, the tax rate of income tax for enterprises under the joint stock system is somewhat high, and it is very hard for them to bear. According to regulations laid down by the State Structural Reform Commission and the Ministry of Finance, the rate of income tax for enterprises under the joint stock system is 33 percent. The state-owned industrial enterprises originally undertook a great deal of social functions, and the profit rate was quite low. According to the principle of equal profits for equal shares, the state shares should also draw extra dividends, and enterprises actually deliver approximately 50 percent of profits, and not much is left for retained profits.

Fifth, the equity relations of enterprises under the joint stock system are not yet clear. There is no clear saying till now about the management of state-owned assets in the experiments on the joint stock system. Who, after all, is the representative of state shares, who will receive the bonuses of state shares, and how should this be used. All these practical problems in operations cannot be solved. This has affected the smooth progress of experiments.

Sixth, the cost is too high for enterprises to carry out the joint stock system transformation. According to the statistics from departments concerned, if an enterprise is listed outside China, and if an organization outside China is asked to make assets valuation, 1.6 million yuan is required for each enterprise. If an enterprise is listed inside China, a few hundred thousand yuan is required for the cost of system transformation. Some enterprises can hardly bear these expenses, and can only lower the criteria by not making assets valuation. They carry the old and the new burdens as usual, and "system transformation" is nothing but a name.

Seventh, the secondary stock market requires immediate improvement and development. With the emergence in large numbers of enterprises under the joint stock system, the issue of stock transaction stands out ever more sharply, and the development and improvement in the secondary stock market becomes crucial.

Eighth, legislative work is seriously delayed. Various kinds of facilities are incomplete, and qualified personnel who understand the joint stock system are lacking. There is no law applicable to some jobs, which has affected the healthy development of the joint stock system.

2. Suggestions on improving the experiments on the joint stock system.

First, set up an all-China system transformation committee for the joint stock system to unify the work of transformation of enterprise operational mechanism, the examination and approval of listed enterprises, and the issuance of stocks. The committee is jointly composed of various departments concerned, under which is set up a permanent organization, thereby overcoming the present problem that listing has nothing to do with mechanism transformation, and examination and approval have nothing to do with enterprise long-term development.

Second, the economic commissions in various localities should take part in the selection and examination and approval of experimental enterprises for joint stock companies limited. Industrial enterprises experimenting with the joint stock system should be examined on a preliminary basis by the economic commission, which recommends them to the appraisal and examination group jointly composed of the economic commission, the planning commission, the structural reform commission, the bureau of industry and commerce, and the people's bank for appraisal and examination. The enterprises to make experiments are determined according to industrial policies, their performance, and the situation of their mechanism transformation. The economic commission should step up guidance of enterprises after system transformation, and help them change mechanism and rationalize relations with various aspects according to standardized requirements. It is suggested that the state economic and trade commission issue a document to make this point clear. The state economic and trade commission should further step up guidance of the examination and approval of limited liability companies, and make clear the procedures for examination and approval by economic commissions of provinces and municipalities.

Third, strictly control the examination and approval of directional fund-raising companies. The state economic and trade commission should work out measures jointly with departments concerned, and make clear the examination and approval procedures for directional fund-raising companies. Before the introduction of these measures, the state economic and trade commission should put off examining and approving new directional fund-raising companies to stabilize the monetary market.

Fourth, reduce the income tax rate for enterprises under the joint stock system. In view of the heavy burdens of

enterprises under the joint stock system, we may consult the tax rate for coastal development zones, and reduce the income tax rate for enterprises under the joint stock system from 33 percent to 15 percent.

Fifth, ascertain as soon as possible equity relations and the representatives of state shares in enterprises under the joint stock system, and let them perform the functions of the representatives of the owners of state assets. The representatives of state shares in enterprises under the joint stock system may be authorized directly by the State Council or by various local governments entrusted by the State Council to carry out supervision and management of state-owned assets. The bonuses of state shares can be collected by an organization of a fund nature set up by various localities, and be used by enterprises for further input. Enterprises under the joint stock system should bring into full play the role of the board of supervisors to strengthen the self-restraint mechanism.

Sixth, select a number of areas to develop counter transaction of shares to stimulate the secondary market. Both state shares and corporate shares can be transacted at the counter. The Securities Commission should promulgate detailed regulations on counter business, and enable it to get onto the road of standardization.

Seventh, various complementary jobs for enterprises under the joint stock system should be done well to gradually achieve integration with international practice. Great efforts should be made to train monetary professionals, and various complementary rules and regulations should be worked out as soon as possible.

Eight, government functional departments should transform functions as soon as possible, and change from direct management to providing services and stepping up guidance of enterprises under the joint stock system. It is necessary to propagate, in an overall manner, the knowledge about stock transactions and the existing risks, so as to raise the psychological bearing capacity of the shareholders. In the establishment of shares ownership, it is necessary to converge with international practice gradually.

Rural Credit Funds for Farmers 'Growing Rapidly'

HK0710130293 Beijing CHINA DAILY in English 7
Oct 93 p 4

[Report by Gao Anming: "Rural Credit Funds Seen Help to State, Farmers"]

[Text] A credit network started and run solely by farmers themselves called rural co-operative funds (RCF) has taken root and is growing rapidly.

The funds, which pool idle money from collectives and individual farmers and extend credit to those most in need within the community, now exist in 37 percent of townships and 15 per cent of villages in all provinces, autonomous regions and municipalities on the mainland except Tibet. The network claims 90 million rural households as members.

The credit co-operatives have been repeatedly endorsed by the Party and the government.

Wan Baorui, Vice-Minister of Agriculture, reaffirmed at a national conference in August his ministry's backing of RCFs, saying they have created a new source of investment for agricultural production, facilitated the development of rural non-farm industries and promoted collective services to farming.

Funds

All three are pressing tasks on the government's rural work agenda, but are often hindered by a lack of funds.

The People's Bank of China, the central bank, has also extended approval to RCFs, saying they are playing a supplemental role in rural finance.

But the central bank, particularly the Agricultural Bank of China (ABOC), is apparently worried that RCFs may cut into their business.

Citing such practices as absorbing deposits and engaging in speculative businesses that are beyond the limits of existing rules, some local branches of ABOC warn that RCFs could disturb rural financial order if not placed under stricter control.

The Ministry of Agriculture, RCF's State-level administrator, acknowledged at the August conference that such malpractice did exist in some areas and said it would take necessary action to regulate the situation in light of existing rules.

However, the ministry also restated that it was unfair to blame RCFs for all rural financial irregularities, for a lot of money-lending groups are doing business in the name of RCFs, said Yuan Zhijun, vice-director of the ministry's RCF office.

Feng Chi, chief of the Co-operative Finance Division of China Agribusiness Development Trust & Investment Corporation (Cadtic), went a step further, arguing that it was also necessary for the government to adjust current rules on RCFs in accordance with market economy demand.

He said the government should designate a larger business domain for RCFs.

Cadtic is among China's largest non-bank financial bodies designed to pioneer reforms in rural areas with a population of 800 million. It is entrusted by the government to help standardize RCF's businesses.

RCFs were created by farmers within a community, usually a village, in the mid-1980s to manage assets previously owned by the collectives but turned idle by the introduction of household-oriented reforms. They also absorb farmers' shares on a voluntary basis and in turn provide members with small short-term loans.

By 1992, there were 112,500 RCFs at the village level, 17,400 at the township level, and 300 county ones. The largest was in Chengdu, capital of Sichuan Province.

They raised 16.5 billion yuan (\$2.8 billion), 65 per cent more than the previous year, and lent 17.9 billion yuan (\$3.1 billion), up 75 per cent over the previous year. Of the loans, agriculture received 6.5 billion yuan (\$1.1 billion), or 36.5 per cent, rural enterprises got 8.9 billion yuan (\$1.5 billion), or 49.7 per cent and 1 billion yuan was invested in socialized services.

Rules

The existing rules stipulate that RCFs are not profit oriented, and should not take on deposits. They should not establish exchequers of their own but instead put their money in ABOC or the Rural Credit Cooperatives (RCC), the official lenders in rural areas.

Yuan told China Daily in an interview that most existing RCFs are observing these rules. Only a few have breached the limits.

He said it is important for the government to strengthen macro control over the rural financial market. This will help RCFs steer onto a healthier track.

The Agriculture Ministry is working on drafting operation norms for RCFs, he said.

There have been reports in the Chinese press recently that many RCFs are vying to absorb deposits, an area strictly reserved for ABOC and RCC. Some also have extended credits to more lucrative businesses such as the property market outside their communities. Their interest rates are also substantially higher than Official ones.

Some ABOC local branches say their normal work has been seriously fettered.

Yuan refuted such charges as unfair. He said RCFs, after all, pooled only 16.5 billion yuan (\$2.8 billion) last year. That was nothing compared with the deposit of 500 billion yuan (\$86 billion) collected by ABOC and RCC.

He said RCFs should not bear too much blame if they offer higher interest rates than officially-run banks which could not even provide sufficient loans for the yearly purchase of harvested grain. In fact, wherever RCFs prevail, interest rates are cut 50 per cent to near the official level.

He said RCFs focus their businesses at village and township levels, while ABOC and RCC aim at projects of regional significance. There should not be many conflicts between them.

Yuan's view was shared by Feng Chi. Feng told China Daily that RCC was originally designed to be nongovernmental credit alliances of farmers. But they actually have become ABOC's grassroots branches. The government has tried, in vain, over the last few years to restore their unofficial status, thus leaving space for RCFs' development.

Bigger Role

It is not impossible to restructure them into a co-operative banking system, one of the three networks in the government's banking reform blueprint (the other two being a longterm policy on finance and commercial banking).

But RCFs should at least play a bigger role in such a system.

Feng said it is in the central government's interest to allow more financial bodies to be set up and let them compete with each other, which in itself is a requirement of a market economy.

This is the experience drawn from the country's past economic reforms: The development of businesses of non-State ownership have saved the economy from violent fluctuations, while the State sector has been inefficient on the whole.

This will not disrupt rural financial orders, because so long as RCFs continue to deposit their money in banks, the banks' businesses will not be affected much.

He said it is necessary to set up RCF alliances at higher levels, because larger scale means less risk in the event of a panic money withdrawal in a certain area.

Implementation of Agriculture Law Examined

HK0610150193 Beijing NONGMIN RIBAO in Chinese
16 Sep 93 pp 1, 4

[Article by Tian Jiyun, vice chairman of the National People's Congress: "Seriously Implement the PRC Agricultural Law"; the following article is a "preface specially written by Comrade Tian Jiyun for the book *General Interpretations of the 'Agricultural Law of the People's Republic of China'* to be published soon by the CPC Central Party School Publishing House"]

[Text] In July 1993, the "Agricultural Law of the People's Republic of China" (to be referred to as the Agricultural Law for short) was adopted at the Second Session of the Eighth National People's Congress [NPC] Standing Committee. This is a major law whose promulgation has been anticipated by the people of the whole country, particularly the 900 million peasants, for a long time. The formulation and implementation of this law will play a vital role in guaranteeing agriculture's position as a foundation of the national economy; developing the rural socialist market economy; safeguarding the legitimate rights and interests of agricultural production and operation organizations and laborers; promoting the sustained, steady, and coordinated development in agriculture; and realizing the drive for agricultural modernization. The vast number of cadres and masses should conscientiously study and understand the spirit and essence of the Agricultural Law, and resolutely put it into practice to the letter.

Agriculture is the foundation of the national economy. China is a country with a large population but limited farmland. Rural residents account for 900 million people among China's 1.1 billion, and this basic national condition has decided the important position of agriculture in China's national economy. Hence, the agricultural issue is always a strategic issue of primary importance. Just as the party central committee has repeatedly stressed: Without the solid foundation of agriculture, there would not be the country's self-reliance; without the accumulation and support of agriculture, there would not be China's industrial

development; without steady and comprehensive advances in rural areas, there would not be the steady and comprehensive advances in the entire society; without the peasants' moderate prosperity, there would not be the moderate prosperity of the entire people; and without the agricultural modernization, there would not be the modernization of the national economy as a whole. In short, the agricultural issue, the rural issue, and the peasant issue are always the fundamental issues of China's revolution and construction, as well as the crucial issues affecting whether or not China's socialist modernization drive will be conducted smoothly and successfully. Comrade Xiaoping admonished us that if the economy goes wrong in the nineties, very probably it will be agriculture that will get into trouble. If agriculture goes amiss and cannot be fixed for years, the entire economic and social development will be seriously affected. This is a wise, sincere, and earnest remark of the experienced elder, which we must always bear in mind.

After the founding of the PRC, China's agriculture and rural economy have experienced a development, setback, and redevelopment process. Since the Third Plenary Session of the 11th CPC Central Committee, the rural areas have taken the lead in reform, through which responsibility systems, chiefly the contract responsibility system on a household basis with remuneration linked to output, were universally practiced. This has injected new vitality into rural economic development. Reform has significantly emancipated and developed agricultural productive forces, enabled the rural economy to flourish comprehensively, allowed peasants to obtain actual benefits, and vigorously accelerated the reform progress in other areas and the drive for modernization. The achievements attained in China's agriculture have attracted worldwide attention. However, we must also note that agricultural development still has many problems. Restrained by natural, economic, social, and many other factors, the position of China's agriculture as a foundation is still not strong, the economic results in agriculture are relatively low, peasants' self-protective capacity is relatively weak, and the reserve strength of agricultural development is not adequate. In particular, over the past few years, the problem of "white notes" [IOU's] and "green notes" [dishonored postal money orders] has not been completely resolved despite repeated injunctions from the central authorities, and the serious imposition of charges and fines of all descriptions and the phenomena of infringing and entrapping peasants and diverting agricultural funds to other uses are everywhere to be seen. What is more, the "scissors differential" between industrial and agricultural products has been increasingly widened so that peasants' enthusiasm has been seriously dampened. To resolve these problems, we must conduct work in many ways, of which the intensification of agricultural legislation is the most important. Law has the special features of a compulsory, stable, and authoritative character, and modern agricultural development must be standardized, guided, protected, and restrained by law. Only by invigorating, building, and protecting agriculture in accordance with law can there be a longstanding and fundamental stratagem for

a flourishing agriculture. The experience of many foreign countries has indicated that the formulation of relatively perfect laws in respect to agriculture is an important means of guiding and adjusting agricultural development, which has played an essential role. China's rural reform is being deepened, the degree of agricultural commercialization and modernization is being repeatedly elevated, and the relations among various sectors inside agriculture and the connections between agriculture and other departments are increasingly closer and more complicated, so it is generally very difficult to coordinate and handle properly the right and interest relationships among various sectors by purely relying on policies. That is why it is necessary to rely on law to properly control the complicated agricultural economic activities.

The Agricultural Law is precisely formulated in line with the requirements of China's in-depth rural reform and faster agricultural development. It has summed up experience since the PRC's founding, and over the past 10 years or so in particular, and has defined the policies and measures proved to be effective through practice in the form of law. Moreover, various fields of endeavor in agriculture have been definitely standardized by law, which include the agricultural production and operation structure, circulation of agricultural products, input into agriculture, agricultural science and technology, agricultural education, the protection of agricultural resources and environment, and the state's macroeconomic regulation and control on agricultural production, and so on, in accordance with the requirements of developing socialist market economy and taking as reference the useful experience of foreign countries. As the Agricultural Law contains rich substance, we should comprehensively understand it and put it into practice. In light of the present reality, special attention should be paid to the basic meanings of the following provisions:

1. Actually safeguard the agricultural position as a foundation. The Agricultural Law definitely provides: "The state sticks to the principle of developing the national economy with agriculture as a foundation." (Article 2, Section 1) This is the first time since the founding of the PRC that agriculture's position as a foundation is defined in the form of law. Today, under the situation of practicing reform and opening up and the rapid development in the secondary and tertiary industries, the inclusion of the major principle of agriculture being a foundation in the law is of momentous and far-reaching significance. It has become a legal standardization that various fronts, departments, and the entire citizens must collectively observe so that it will run through the entire course of socialist modernization. That is, all the state organs, be they departments in charge of agriculture and rural work or not, must at all times and in all circumstances safeguard agriculture's position as a foundation unrelentingly and unwaveringly. In the past, agriculture's position as a foundation was always treated as primary in words and secondary in actions. When there was a crop failure, agriculture would be emphasized, and when there was a bumper harvest, agriculture would be overlooked. Thus, the issue of

unsteady agricultural development could not be fundamentally resolved. Now, the unequivocal stipulation in the law regarding agriculture's position as a foundation has provided legal protection for a steady agricultural development. The Agricultural Law also provides: "The state will take measures to ensure the steady development in agriculture." (Article 2, Section 2) "The people's governments at all levels must place agricultural work in an important position and, with unified responsibilities, organize all relevant departments and entire society to support agriculture and fulfill various tasks for developing agriculture and providing services for agricultural development." (Article 10, Section 1) These are the demands set on government organs at all levels, and also the responsibilities and obligations which they, particularly the administrative organs, should undertake and fulfill practically and realistically.

2. Accelerate the establishment of a new rural socialist market economic structure. The 14th party national congress defined the objective of establishing a socialist market economic structure, and the development of agricultural productive forces now faces a new opportunity. How to accelerate the development of the socialist market economy in rural areas? In line with the requirements of the socialist market economy, the Agricultural Law sets forth a series of provisions on agricultural production, the circulation of agricultural products, and others. For example, "the state will guide the agricultural production and operation organizations and laborers in readjusting agricultural productive structure; maintain the steady growth of grain and cotton production; comprehensively develop crop farming, forestry, animal husbandry, and fisheries; and develop agriculture featured by high yield, fine quality, and good results"; (Article 22) "the purchases and sales of agricultural products will be deliberately regulated by markets, and necessary macroeconomic regulation and control will be exercised by the state on the purchasing and marketing activities of the major agricultural products that have a bearing on the national economy and people's livelihood"; (Article 31, Section 1) and "the state will encourage and lead peasants to engage in the activities of circulation of agricultural products in multiple forms. Agricultural production and operation organizations and laborers may conduct activities in the procurement, processing, wholesale, trafficking, and retail sales of agricultural products according to the state's pertinent stipulations." (Article 37, Section 2) It can be stated that the development of rural socialist market economy is a red thread running through the entire Agricultural Law. This is a major distinguishing feature of the law. To implement the Agricultural Law, we should correctly lead the agricultural production and operation organizations and laborers to enter, explore, and adapt themselves to markets in light of local conditions. Persistently guided by markets, we should make full use of rural manpower, land, and various resources to form a new pattern characterized by large-scale agriculture, circulation, and markets. In the meantime, we should institute and amplify the macroeconomic regulation and control system that suit the requirements of the rural socialist market economy, including the system of

procuring agricultural products at protective prices, the system of storage and transportation, and so on. Under the guidance of the Agricultural Law, we should positively blaze new trails for establishing the rural socialist market economy in order to quicken the pace of its development.

3. Perfect the agricultural production and operation structure. In March 1993, the First Session of the Eighth NPC adopted the "Revised Draft of the Constitution of the People's Republic of China," to which the contents of "responsibility systems, chiefly the contract responsibility system on a household basis with remuneration linked to output," are added. In this way, the basic system of agricultural collective economic organization, which is set by the abovesaid responsibility system, has been defined in the form of fundamental law. The Agricultural Law further provides: "The state will stabilize the responsibility systems, chiefly the contract responsibility system on a household basis with remuneration linked to output, improve the management system in rural areas in which unified management is combined with separate management, develop a socialized service system, expand collective economic strength, and lead peasants in taking the road toward common prosperity." (Article 6) Also, the Agricultural Law sets forth a series of concrete stipulations regarding the agricultural production and operation structure, thereby affirming the achievements in rural reform and providing legal bases and protection for the in-depth reform in rural areas. At present and in a considerable period of time to come, we should stabilize and perfect the agricultural operational structure with the contract responsibility system on a household basis with remuneration linked to output as the core, fully mobilize peasants' initiative, and expedite the development of agricultural productive forces.

4. Ensure the steady growth of agricultural input. The Agricultural Law clearly provides: "The state will incrementally enhance the overall level of agricultural input. The annual increase of total agricultural input in the state finance should be higher than the increase of regular income." (Article 42, Section 1) It also provides that "the state will take measures to increase the use of foreign capital in agriculture," "the state will apply taxation, price, credit, and other means to encourage and guide the agricultural production and operation organizations and laborers in increasing agricultural input," and so on. That is, the state will gradually institute and amplify an investment system that combines the state with the collective and individual peasants, and adopt the modes of using foreign and other capital to increase agricultural input. Such provisions conform to China's reality and are conducive to resolving the problems of inadequate agricultural input and lack of reserve strength. In the past, owing to the long agricultural investment cycle, great risks, relatively low results, and other reasons, people were usually unwilling to inject funds into agriculture, which seriously affected agricultural development. The historical lesson should be learned. We must resolutely carry out the stipulations of the Agricultural Law and take effective measures to ensure the steady growth of agricultural input. The people's governments at and above county levels

should set up exclusive funds for agricultural development, afforestation, irrigation construction, and others in accordance with the state's relevant stipulations, intensify the management of utilizing the state's funds for agriculture, and lead the agricultural collective economic organizations in their proper use of the collective funds. No unit is allowed to divert the agricultural funds allotted by the people's governments at all levels to nonagricultural expenditures.

5. Conscientiously resolve the problem of excessively heavy burdens on peasants. Safeguarding peasants' legitimate rights and interests is an important guiding ideology in the formulation of the Agricultural Law. In view of the fact that in recent years the phenomena, including arbitrary collection of charges, arbitrary fines, arbitrary fund-raising, arbitrary apportioning, and so on, were increasingly serious and aroused strong dissatisfaction from peasants, many members of the NPC Standing Committee, when examining and deliberating the draft agricultural law, thought it necessary to set hard and rigid rules to strictly prohibit the occurrence of acts that encroach on peasants' interests. Articles 18 and 19 of the Agricultural Law contain definite provisions on this subject, under which charges and fines are strictly restricted within the stipulations laid down in accordance with laws and statutes or the rules and regulations worked out by the people's governments at provincial level. If charges and fines are levied against the stipulations, peasants and agricultural production and operation organizations have the right to reject them. They also have the right to reject apportioning of all descriptions as well as compulsory fund raising.

Regarding the problem of IOU's in purchasing agricultural products, the Agricultural Law also provides: "Units procuring agricultural products must pay in full the proceeds of the products sold by agricultural production and operation organizations or peasants," and "they must not lower the grades of products to reduce prices or deduct any charges from the proceeds that they should pay." It also provides that if anyone violates the above stipulations, encroaches on peasants' legitimate rights and interests, and incurs losses to them, he must assume civil responsibility of indemnity according to law, his criminal responsibility will also be investigated, and disciplinary sanction or other punishment will be meted out to him. These stipulations have provided powerful legal weapons to protect peasants' legitimate rights and interests. In the future, any department or unit which stretches out its hand to ask peasants for help and thus infringes upon their economic interests will certainly be punished according to law as it has committed an act in violation of law.

6. Gradually narrow the "scissors differential" between the industrial and agricultural products. Since reform and

opening up, the prices of agricultural products have been raised many times so that peasants have obtained real benefits, and the problem of "scissors differential" between industrial and agricultural products has been mitigated to a certain extent. In the past few years, however, the prices of agricultural means of production rose too sharply, and the "scissors differential" between industrial and agricultural products again showed a widening tendency, which has dampened peasants' enthusiasm in agricultural production. In light of this condition, the Agricultural Law contains a stipulation on the issue of reasonable price parities between agricultural means of production and agricultural products to this effect: "The state adopts the measures of macroeconomic regulation and control to maintain reasonable price parities between agricultural products and primary means of production including chemical fertilizer, pesticide, plastic film for agricultural use, farming machinery, diesel oil for agricultural use, and so on." (Article 33) Such a stipulation is extremely necessary. The historical experience at home and abroad has proven that the course of national economic development is inevitably the course of simultaneous industrial and agricultural development, and they complement and rely on each other. If agriculture is damaged, a sustained industrial development will be difficult, to say nothing of economic modernization. Hence, it is necessary to gradually narrow the "scissors differential" between industrial and agricultural products and maintain a coordinated industrial and agricultural development. Of course, to resolve this issue fundamentally, we should still depend on deepening reform and substantially enhancing agricultural productivity. At present, we should take measures to curb the sharp price hike of the means of production needed for agricultural production, and try our best to maintain reasonable price parities between means of production and agricultural products. In addition, we should heighten the quality of means of production, severely crack down on forged and inferior products, and resolutely punish the acts to infringe and entrap peasants.

The formulation of the Agricultural Law marks a new advance in China's agricultural legislation. Now that we have the law, we must enforce it resolutely. To this end, we must concentrate our efforts on properly conducting the propaganda and education work on law, so that the vast number of cadres and masses, peasants in particular, will be able to master the Agricultural Law and put it into practice conscientiously. On the occasion of promulgating the Agricultural Law, it is a meaningful thing to compile some relevant books to systematically interpret the spirit and essence of the law. I hope that more comrades will do this job with a view to creating a favorable legal environment for accelerating the development of China's rural socialist market economy with concerted efforts.

North Region

Shanxi Resolution on Anticorruption Work

HK0610070893 Taiyuan SHANXI RIBAO in Chinese
6 Sep 93 pp 1, 2

["Resolution of the Shanxi Provincial CPC Committee and Provincial People's Government on Carrying Out a Thorough Struggle Against Corruption (5 September 1993)"]

[Text] Recently, the CPC Central Committee made an important decision on the anticorruption campaign, demanding that visible phased achievements be made in the near future. In his important speech at the second plenary session of the Central Commission for Discipline Inspection [CCDI], Comrade Jiang Zemin gave a brilliant exposition of the great significance of the anticorruption campaign and set out in clear terms the tasks, guideline, and principles for conducting the anticorruption campaign. It was a speech of general mobilization and planning by the CPC Central Committee for the whole party and the entire nation under the new circumstances. The second plenary session of the CCDI made a comprehensive analysis of the current state of the anticorruption campaign; proposed approaches to, measures for, and the current tasks of the anticorruption campaign under the new circumstances; and made specific arrangements for the anticorruption campaign in the short-term future. To conscientiously implement the arrangements made by the CPC Central Committee, the State Council, and the CCDI for the anticorruption campaign in the near term is a major political task that the party committees and governments at all levels must assume. Steadfastly conducting the anticorruption campaign is of exceptional importance in strengthening party and government building and in ensuring the smooth progress of the reform, opening up, and economic construction.

Since the beginning of reform and opening up, the majority of party members and cadres in the party and government organs at various levels in this province have been honest in performing their official duties. Nevertheless, a minority of party members and cadres have failed to withstand the tests of reform, opening, and the development of socialist market economy, and certain negative and corrupt phenomena have developed, some of which are rather serious and are continuing to grow and spread. The broad ranks of party members and cadres in party and government organs at all levels, especially leading cadres at and above the level of county head or provincial section head, should fully recognize the extreme importance and urgency of the anticorruption campaign; implement to the letter the central authorities' arrangements for the anticorruption campaign for the short-term future; act in light of reality; strengthen leadership; make genuine and down-to-earth efforts; and be sure to achieve phased results in the near future and win the trust of the public. For the purposes stated above, the provincial CPC committee and the provincial government have made the following resolution:

I. Leading Cadres of Party and Government Organs at All Levels Should Be the First To Show Honest Conduct and Self-Discipline and To Set a Good Example

The leading cadres of party and government organs at all levels must conscientiously implement the regulations set out by the central authorities on strengthening the building of party conduct and clean administration, and must set a good example. In light of the current circumstances, some requirements on leading cadres at and above the level of county head or provincial section head are reiterated or set out below:

1. They may not engage in business or in running enterprises; and they may not engage in remunerated intermediary activities or, by using their powers, provide any concessionary terms or conditions for their spouses, children, relatives, or friends in business operations.
2. They may not take up part-time jobs (including honorary posts) in any kind of economic entity, and in the few cases in which this is approved, may not accept remuneration; and they may not go to subordinate units and other enterprises or nonprofit institutions for reimbursement of any kind of expenses payable by themselves.
3. They may not engage in stock transactions.
4. They may not accept gift money or any kind of valuable securities in the performance of official duties; and they may not accept as presents any credit cards given by their subordinate units or by other enterprises or nonprofit institutions, nor hold for personal use any credit card the account of which is settled by their units at public expense.
5. They may not obtain membership of any form of club at public expense or take part in costly entertainment activities at public expense.
6. They may not, by taking advantage of their powers, seek special treatment for their children, relatives, or colleagues in such areas as employment, cadre enrollment, admission to institutions of learning, conscription, promotion of cadres, re-registration of rural residents in urban areas, and travel outside the country.
7. They may not give or accept receptions prepared to a standard higher than that prescribed. Activities related to internal affairs must be conducted in strict accordance with relevant stipulations. Provincial leaders and cadres of provincial organs should travel light, with a minimal entourage, when visiting grass-roots units. No banqueting is allowed. They must all have regular meals and pay for them in full, as required.
8. They may not build or decorate their residences to a standard higher than that prescribed. They may not occupy extra residential or office space. Residential space in excess of that prescribed must be sorted out and any office space in addition to that to which they are entitled must be given up. Cadres who have reached retirement age and have retired, who have transferred to another job, or who have left the organ as a result of personnel diversion may not keep any office space in the original unit.

9. They may not purchase imported luxury cars. All cars used by party and government organs at all levels must be screened. Cars that have been borrowed from subordinate units and enterprises or from nonprofit institutions must be given back. Cars purchased without authorization of the provincial control office [sheng kong ban 4164 2235 6586] after 1 January 1990 or those purchased in excess of set quotas must be handed over to materials and equipment departments at various levels. The latter are to auction them off according to their quality with the resultant income delivered to financial authorities at various levels. This year, the provincial CPC committee general office and the provincial government general office, with the assistance of the provincial planning commission and provincial control office, will make specific regulations on the purchase of new cars by party and government organs at various levels and on the grading of cars to be used by cadres ranking at different levels.

10. They may not travel, at public expense, to other countries, to regions outside China, or to places outside the province for sightseeing or disguised sightseeing, or make a side trip at public expense to any place for sightseeing while on an official business trip. The provincial foreign affairs office will make specific regulations regarding travel to other countries or regions outside China.

The above 10 requirements must be implemented in provincial organs first. The leading cadres in provincial organs ranking at and above the level of provincial section chief must play a truly exemplary role in the anticorruption campaign and must set an example for the whole province.

II. Handle a Batch of Major and Important Cases With Concentrated Efforts and Sternly Punish Corrupt Elements

It is necessary to concentrate our energies on handling a batch of discipline- or law-violation cases perpetrated by party and government organs, leading cadres, judicial departments, administrative and law enforcement departments, and economic management departments and the personnel thereof, and to publicize them selectively so that the masses are shown some concrete results.

1. It is necessary to step up and accelerate the trial and conclusion of cases on hand. Discipline inspection commissions, supervision committees, courts, and procuratorates at all levels should focus on screening all cases on hand, arrange them in order of priority, and try to set a timetable of case handling for September and October as soon as possible. Cases that already can be finalized with a verdict should be concluded quickly, those that require additional investigation and evidence should be attended to forthwith, and those that should be listed for investigation should be listed as soon as possible.

2. It is necessary to punish corrupt elements according to discipline or law. The measure of disciplinary action and the penalty for those responsible for major and important cases should be strict. Leading cadres ranking at and above the level of county head or provincial section head who

have violated discipline or the law should be handled sternly and removed from office, expelled from the party, convicted, or given heavy sentences, as necessary. Those who have seriously interfered with and caused difficulty in the handling of cases must be sternly penalized.

3. It is necessary to conduct effective publicity and propaganda work on major and important cases conscientiously. The processing results of major and important cases, especially those involving leading cadres ranking at and above the level of county head and provincial section head, should be made public selectively and by stages. The purpose of publicizing typical cases, as well as major and important cases is to deter crime, educate the masses, and promote work in this regard. Localities and departments where such cases occur should do a good job in education using these cases, draw a lesson from them, and formulate measures for plugging any loopholes and strengthening the building of clean and honest administration accordingly.

III. Firmly Eliminate Negative and Corrupt Phenomena, and Vigorously Curb a Number of Unhealthy Tendencies of Which the Masses Are Strongly Critical

Redressing unhealthy tendencies is an important aspect of the anticorruption campaign and must be conducted conscientiously. The focus at the moment is to put an end to the malpractices of arbitrarily collecting charges or imposing monetary penalties under all sorts of pretexts or taking advantage of one's powers or trade monopoly.

1. It is necessary to concentrate our energies on solving problems of which the masses are strongly critical. It must be reiterated that party and government organs at various levels may not be engaged in business and that those who have started doing business must detach themselves from their original units as required. All economic entities run by party and government organs for purposes of creating jobs for the children of their staff and for surplus personnel must be strictly separated from government administration and detached from the organs. The arbitrary imposition of fees and fines must be curbed firmly. All departments involved in charging fees must look into the items they charge and the scale of charges in the short-term future, differentiating between what is allowed by the state policy and what is set by themselves or arbitrarily started by themselves or upgraded without authorization; discover the truth about them; and report to the financial authorities about issues as they really are. The arbitrary imposition of fees or unauthorized upgrading of scales of charges must be firmly redressed. Reporting should be completed by the end of September and scrutinizing completed by the end of October, and the results should be publicized at the same time. All sorts of fines and confiscated properties received by law enforcement departments must be handed over to their superior authorities, and the departments' income and spending should be on separate accounts. The operating funds they need should be allocated by financial authorities at various levels. The spending of fines and confiscated properties by any unit or individual without authorization all should be treated as embezzlement.

2. Continued efforts should be made to conduct specialized rectifications well. In the anticorruption campaign, it is necessary to continue with and do a good job in the special rectifications that have proved effective. Conscientious efforts should be made to redress unhealthy tendencies with professional characteristics which interfere with and negatively affect the conversion of enterprises' operational mechanisms, the lessening of burdens on enterprises, and market development and management, and to put an end to the irrational apportioning of expenses imposed on peasants, both of which were assigned by the provincial CPC committee and provincial government at the beginning of the year. Similar efforts should be made to rectify the production, transportation, and marketing of coal, and to curb the practice of power supply departments, which seek personal gain by manipulating power allocation. In the meantime, planning and economic management departments should solve the problem of abusing power through seeking personal gain; financial and taxation departments should put an end to unhealthy tendencies in accordance with their own regulations; law enforcement and supervision departments should solve the problems of bending the law for the benefit of relatives or friends and substituting monetary penalties for criminal charges; public utility departments, such as water supply, gas supply, and posts and telecommunications departments, should redress the problems of seeking personal gain through water and gas allocation and telephone installation; and other departments should solve their own problems with specific targets. All departments, in keeping with the central authorities' arrangements, should set specific objectives and requirements for improvement and submit them for the approval of the provincial anticorruption campaign leading group before mid-September, and should formulate practical and effective measures and methods for use in their own departments and sectors, striving for remarkable results before the end of the year.

3. It is necessary to do a better job in promoting professional ethics. This is an important measure for redressing unhealthy tendencies in trades and professions and for eliminating negative and corrupt phenomena. Party and government organs at all levels must make strenuous efforts in building professional ethics, establish and improve the ethical standards of various professions, and make practical efforts to implement various rules and regulations. It is necessary to give wide publicity to, and to commend a batch of model units and individuals who show a high degree of honesty and self-discipline, dedicate themselves selflessly, and are bold in combating corrupt phenomena; vigorously advocate and promote the positive practice of performing official duties for the people honestly and diligently; encourage correct practices and resist deviations; and help upgrade the building of professional ethics to a new height. In particular, public security, communications, taxation, and industrial and commercial administration departments, and the city of Taiyuan, which have been designated by the provincial CPC committee and provincial government for trial implementation of the building of professional ethics this year, should

conscientiously implement the arrangements by the provincial CPC committee and provincial government and gradually take it further, truly playing an exemplary role in building professional ethics in party and government organs.

IV. Strengthen Leadership and Ensure Marked Results in the Anticorruption Campaign in the Near Future

1. In order to do a good job in the anticorruption campaign as a major political task, it is imperative for all party members to participate and for party and government organizations to attend to it under the leadership of party committees at all levels. The chief leaders of party and government organs must take up overall responsibility. In order to strengthen leadership substantially, the provincial CPC committee and provincial government decided to set up an anticorruption campaign leading group. All prefectures, cities, and counties, as well as organs in the provincial setup, also should form leading groups. Party committees and governments at various levels not only must set an example and be strict with themselves, but also must assume real responsibility, make arrangements, give guidance carefully, step up efforts in local anticorruption campaigns, and strive for substantial results. They should be bold in taking responsibility and should take control. The root cause of, and the loopholes leading to the problems that have occurred in their units should be tracked down conscientiously within the context of leadership responsibility and countermeasures should be taken. Violators of discipline or the law who ignore discipline, continue to commit offenses while the rectification process is under way, or whose cases are especially serious, should be handled sternly and relentlessly. In the course of the anticorruption campaign, the chief leaders of the departments that have serious corrupt phenomena and unhealthy tendencies, that show no significant improvement after rectification, that continue to commit offenses while the rectifying process is going on, or that have relapses after rectification should be removed from office on the spot and should be subjected to investigation of their legal liability. Some leading cadres who continue to practice departmental protectionism and who intentionally shield cases of discipline or law violations should be subject to strict party or administrative disciplinary action.

2. It is necessary to divide responsibilities, define terms of reference, and pool efforts from all quarters. The provincial commission for discipline inspection and provincial supervision committee should provide suggestions for implementing this resolution in good time and should devise criteria for measuring disciplinary action and procedures for the implementation of disciplinary action against those who violate the provisions of this resolution. Discipline inspection commissions and supervision committees at other levels must strengthen supervision and inspection, sum up developments at certain points, and refer major issues to party committees and governments. Discipline inspection, organizational, and personnel departments should do a good job in improving the honesty and self-discipline of leading cadres. Financial, planning, and price control departments, and judicial and

procuratorial committees are responsible for redressing the arbitrary imposition of fees. Economic commissions, economic restructuring authorities, and industrial and commercial administration departments are responsible for rectifying the involvement of party and government organs in business. Government general offices, foreign affairs offices, tourism offices, and public security departments are responsible for rectifying problems related to sightseeing in foreign countries or regions outside China. The leading groups and offices for redressing unhealthy tendencies at all levels must do a good job in redressing unhealthy tendencies in various departments, especially economic management, supervision, law enforcement, and public utility departments. Discipline inspection commissions, supervision committees, courts, and procuratorates must do a good job in investigating and concluding major and important cases, party and administrative disciplinary action, and legal processing. Propaganda departments should exercise effective leadership over propaganda and publicity related to the anticorruption campaign and should organize them well.

3. The broad masses should be closely relied on in the anticorruption campaign. It is necessary to mobilize the

masses to report and expose corruption and corrupt elements. The discipline inspection, supervision, and procuratorial organizations in various departments and at various levels must install letterboxes for complaints and must republish complaint hotline numbers so as to solicit clues to cases. Important informers should be rewarded, and informers must be protected from retaliation.

It is necessary to uphold principles, adhere closely to policies, and handle things steadfastly according to the law. While keeping a firm hold on economic construction as the focus of all work, authorities in all departments and at all levels must conduct the anticorruption campaign and the building of party conduct and clean administration in a conscientious and effective manner and must be unswerving in reform and opening up, developing the economy, combating corruption, straightening out party conduct, and strengthening the building of clean administration. They should conduct the anticorruption campaign within the context of reform and opening up and of economic construction, should truly follow the principle of "doing two types of work simultaneously with even strength," and through the anticorruption campaign should promote and guarantee the further upgrading of Shanxi's economic efficiency.

Article on 'Obstacles' to Ties With Taiwan*HK0610140993 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 39, 27 Sep 93 p 18*

[Article by Wang Zaixi (3769 0961 1585): "What Are the Obstacles to the Further Development of Cross-Strait Relations?"]

[Text] The white paper "The Taiwan Issue and China's Reunification" fully confirms the development of cross-strait relations over the past 10 years and, at the same time, points out all kinds of obstacles existing at present. Understanding this situation and finding out the crux of the problems are of major importance to making cross-strait relations develop in a sound and mutually promotive direction.

Since the publication of the "Letter to Taiwan Compatriots" by the National People's Congress Standing Committee in 1979, the prolonged estrangement between cross-strait relations has ended as a result of the impetus of the policy of "peaceful reunification" and "one country, two systems." The previously tense confrontation has gradually disappeared; personnel, economic, trade, cultural, sports, and academic exchanges between both sides have proceeded in an overall manner; and civilian contacts and consultations on routine affairs have also started. According to statistics, in 1992 1.5 million Taiwan compatriots came to the mainland for family visits or traveling; the amount of indirect cross-strait trade increased from \$700,000 in 1979 to \$7.4 billion in 1992; and investment agreements between Taiwan businessmen and the mainland totaled \$9 billion by the end of last year. The successful convening of the "Wang-Ku talks" provided more favorable conditions for finding a solution to problems in cross-strait exchanges and for promoting the further development of cross-strait relations. This gratifying situation has been the result of prolonged common efforts made by compatriots on both sides of the strait and Overseas Chinese, including efforts made by the Taiwan authorities toward this end.

It cannot be denied that there are all kinds of obstacles to the development of cross-strait relations. There are three main aspects as follows:

—The Taiwan authorities' existing policy toward the mainland is the main obstacle to the further development of cross-strait relations. As pointed out by the white book, in the last six to seven years the Taiwan authorities have, under the pressure of civilian opinion, adjusted their policy toward the mainland, taken some measures favorable to the development of cross-strait relations, and gradually relaxed restrictions on cross-strait civilian exchanges. But taken as a whole, their policy toward the mainland is passive and conservative. In particular, the Program for National Reunification, which is the guiding principle for their mainland policy, has become the Taiwan authorities' theoretical basis restricting the development of cross-strait relations. Viewing the development and changes in cross-strait relations since the promulgation of the Program for National Reunification two years ago, this program has

two prominent shortcomings: One is that it has divided the development of cross-strait relations into short, intermediate, and long periods. It has strictly restricted the current cross-strait relations to civilian and indirect contacts within the framework of routine affairs. It has put in the intermediate period measures which should have been implemented, such as direct air and sea links and bilateral political consultations. It regards the settlements of Taiwan as a "political body," the "use of force," and "international space" as three preconditions for entering the intermediate period. This has actually turned "three exchanges" and high-level mutual visits into political pawns and put obstacles to the development of cross-strait relations. A relevant person in Taiwan even asserted that if the CPC can meet these three conditions proposed by Taiwan, Taiwan will immediately approve "three exchanges." Obviously, the materialization of "three exchanges" between the two sides of the strait is not impossible but is obstructed purposely.

In addition, the Taiwan authorities have adopted an irrational policy of loose control over visits to the mainland and tight control over visits to Taiwan, making cross-strait exchanges seriously imbalanced. For example, since November 1987, almost 5 million Taiwan compatriots have come to the mainland, but only 20,000 mainland compatriots have visited Taiwan. Taiwan investments on the mainland have amounted to several billion U.S. dollars, but there is no mainland investment on the island. If high-level Taiwan officials want to go to the mainland for family visits or traveling, the mainland will sincerely welcome them and provide them with all kinds of conveniences, but Taiwan has imposed strict restrictions on mainlanders visiting Taiwan. Even Zhang Kehui, a Taiwan compatriot residing on the mainland, had to pass through ordeals before going to Taiwan to attend a funeral. To a certain degree, this has seriously hampered cross-strait relations from developing in a sound and mutually progressive direction.

It should be pointed out that promoting three direct exchanges between the two sides of the strait and expanding personnel, economic, and trade exchanges between both sides are moves beneficial and favorable to both sides. Insofar as the present situation is concerned, Taiwan will benefit more after the materialization of "three exchanges." Because there are no direct exchanges between the sides, Taiwan has suffered astonishing economic losses. It has wasted 400 to 500 million U.S. dollars a year in passenger and freight transportation charges alone. The Taiwan authorities should follow popular feelings and remove the political fence in cross-strait relations so that both sides' relations will enter a sound and mutually progressive period at an early date.

—The brazen activities of "Taiwan independence" forces on the island have become an important obstacle to the development of both sides' relations. "Taiwan independence" activities have been rampant on the island in recent years. They have openly propagated the establishment of the "Taiwan Republic" and asserted that

"Taiwan independence is the only way for Taiwan's survival" and that "Taiwan will return to the United Nations in the name of the Taiwan Republic." On both sides' relations, "Taiwan independence" forces have intentionally distorted and attacked the policy of "peaceful reunification" and "one country, two systems" as "gobbling up Taiwan." They have openly indicated their "opposition to any form of party-to-party talks between both sides." They have ridiculously proposed that "economic and trade exchanges between Taiwan and the mainland should be handled according to international regulations and practice." In the meantime, some "Taiwan independence" elements have maliciously attacked patriots who actively promote cross-strait relations and uphold the "one China" position as "Taiwan traitors." They have purposely diverted the simple wish of Taiwan people to oppose the autocratic rule of the Kuomintang and to become masters of their own affairs into a wrong path of "Taiwan's self-determination." Their perverse acts have not only seriously affected the development of cross-strait relations, but also caused harm to the motherland's peaceful reunification.

—Some international forces' interference in the Taiwan issue is another obstacle to the development of cross-strait relations. Following the changes in the international strategic pattern, some international forces fear that after Taiwan is reunified with the mainland, China will grow stronger. So they try every possible means to play tricks on the Taiwan issue so as to hold back the development process of cross-strait relations. These manifest themselves in three aspects: First, they propagate that "Taiwan's position still remains undecided," so that the Taiwan issue will become internationalized. They wantonly claim that the "rigid sovereignty forced

on Taiwan by the Chinese authorities is outdated" and that "providing Taiwan with a legal position is an international issue." These remarks have seriously interrupted and viciously affected the development of cross-strait relations. It should be pointed out that the Taiwan issue is solely an internal affair of China. Any form of reunification between the sides is an internal affair of both sides' compatriots. There is no need for outsiders to say anything and the Chinese people absolutely have the ability and intellect to find a solution to their internal affairs. Second, they have sold a large amount of advanced weapons to Taiwan to create tension in the strait area and ruin the development of both sides' relations. In recent years, undermining the principle of the 17 August communique, the United States has sold to Taiwan a large amount of advanced weapons, including 150 F-16 fighter planes. It has also provided Taiwan with the production technology of Perry-class missile frigates and all kinds of missiles. Apart from violating basic international norms, this has also made the peaceful reunification of the two sides of the strait more complicated. Third, they support Taiwan in joining some international organizations and have moved all around to solicit support for Taiwan's "return to the United Nations." This is seriously infringing on Chinese sovereignty and brutally interfering in China's internal affairs. In essence, they are trying to obstruct and undermine China's great cause of peaceful reunification.

Developing cross-strait relations is the common wish of the people on both sides of the strait and is also the common responsibility of the two sides of the strait. We hope that the Taiwan authorities will follow the trend of history, take positive measures, remove all obstacles, and share common efforts in blazing a new trail in cross-strait relations.

Mainland 'Condemned' for Nuclear Weapons Testing*OW0710085093 Taipei CNA in English 0819 GMT
7 Oct 93*

[By Sofia Wu]

[Text] Taipei, Oct. 7 (CNA)—The Republic of China [ROC] Government Thursday [October 7] condemned Beijing for conducting underground nuclear weapons testing.

Mainland China set off an underground nuclear blast Tuesday at its remote northwest Lop Nor testing range, breaching an informal global testing moratorium.

Government Spokesman Jason Hu said the move reflected Beijing's callous disregard of world opinion and might threaten international stability.

Hu urged Beijing to abandon its military expansion program and stop underground nuclear testing.

"Beijing should do more to prevent nuclear proliferation and help ensure steady development in the Asia-Pacific region," Hu stressed.

Plan for Cross-Strait Navigation Plan*OW0610143093 Taipei China Broadcasting
Corporation News Network in Mandarin 2300 GMT
26 Sep 93*

[From the "Hookup" program]

[Text] The Mainland Affairs Council and the Ministry of Communications are drawing up a plan for direct navigation between the two sides of the Taiwan Strait. It will be incorporated in the White Paper on mainland policy and cross-strait relations to be announced at the end of the year to publicize the government's policy on direct cross-strait navigation.

According to the agenda for the plan, Taiwan and Mainland China will sign a navigation agreement through official consultation. The plan suggests that methods of navigation on a trial basis may be considered during the initial stage; that the ROC [Republic of China] unilaterally takes the initial step in conducting direct navigation on the sea; and that the ban on direct navigation between all the ports on Taiwan and Mainland China be gradually lifted, phase by phase, after obstacles are removed. Direct cross-strait navigation involves very complicated issues. The lifting of the ban will accelerate a chain reaction of official contacts, direct trade, and the establishment of administrative bodies in each other's territory between the two sides of the Taiwan Strait. Therefore, the government still places direct cross-strait navigation in the intermediate phase of the National Unification Guidelines for its policy consideration at the present stage.

According to our understanding, the four steps clearly stipulated by the plan include: 1) Taiwan and Mainland China formally put an end to the situation of hostility and not deny each other as a political entity; 2) both sides sign

a navigation agreement and solve the problems of shipping lines, booking, navigation control, duties, and customs clearance; 3) as the navigation agreement to be signed between Taiwan and Mainland China has a very considerable bearing on the people's livelihood and their well-being, it will be submitted to the Legislative Yuan for consideration; and 4) the ban on direct navigation will not be officially lifted until after navigation businesses on Taiwan and Mainland China have worked out a solution for the problem of operational details through consultation.

Service Industry on Island 'Booming'*OW0610151293 Taipei CNA in English 1401 GMT
6 Oct 93*

[By Flor Wang]

[Text] Taipei, Oct. 6 (CNA)—The total production value of the booming service industry accounted for 55.1 percent of the Republic of China [ROC]'s all gross domestic product (GDP) last year, the cabinet's Council for Economic Planning and Development reported Wednesday [6 October].

The council expects the figure to climb to 56 percent this year.

The council, citing Directorate General of Budget, Accounting and Statistics tallies, said the percentage of industrial output in the nation's GDP declined to 41.4 percent in 1992 after hitting a high of 47.6 percent in 1986. But the levels registered by the service industry during the same six-year period increased from 46.8 percent to 55.1 percent.

Service industry output represented 72.3 percent and 63 percent of the total GDP of the United States and Germany, respectively, last year.

With the government's all-out efforts to upgrade industrial levels, the ROC developed successfully from an agricultural society to an industrial one in 1960s, the council said. The nation's industrial output began to surpass that of the agricultural sector in 1962. The agricultural output slid to 7.3 percent in 1981, far lower than the 45.5 percent and 47.2 percent of the industrial and service sectors in the same year, indicating that the nation's industrialization had been largely completed by then.

Heavy industrial and chemical goods made up 48.2 percent of the nation's total industrial exports last year, outpacing the exports of non-industrial products for the first time. With technology-intensive products replacing labor-intensive goods as the backbone of ROC exports, it is clear that the nation's bid to enhance its industrial levels has borne fruit, the council added.

Three Knox-Class Frigates Leased From U.S.*OW0610145793 Taipei CNA in English 1350 GMT
6 Oct 93*

[By Benjamin Yeh]

[Text] Taipei, Oct. 6 (CNA)—The three Knox-class frigates leased from the United States will play a key role in the Republic of China [ROC] Navy in the future, given their superb anti-submarine capability, a ranking naval official said Wednesday [6 October].

The 3,010-ton frigates were originally designed to counter the superiority of the Soviet Union's submarine fleet during the Cold War, according to Adm. Chuang Ming-yao.

Chuang was speaking at the commissioning ceremony of the battleships.

Legislators, Control Yuan members and foreign military attaches were present at the ceremony, which was held [words indistinct] naval base in southern Taiwan.

Vice Admiral Li Ying-ming confirmed reports that the United States has agreed to lease more Knox-class frigates to the ROC.

In addition to carrying a helicopter, each of the battleships is armed with MK-16 missile launchers and locally manufactured Hsiungfeng ship-to-ship missiles.

Press Institute Thanks Press Freedom Advocates

OW0610143393 Taipei CNA in English 1338 GMT
6 Oct 93

[By Lillian Lin]

[Text] Taipei, Oct. 6 (CNA)—Tsu Sung-chiu, president of the Chinese Press Institute, Wednesday [6 October] expressed appreciation to the International Press Institute [IPI] for helping to support Taiwan's press freedom.

The IPI has related its concerns to the United Nations about the UN's revocation of press credentials for the New York bureau chief of Taiwan's Central News Agency.

On September 23, the UN Media Accreditation and Liaison Unit revoked press accreditation for Bureau Chief David Wang on the grounds that CNA is a government organ of the Republic of China [ROC] on Taiwan, which is not a member of the UN.

Calling on the UN to "immediately rectify its unjustified decision," the IPI said in a letter sent to UN Secretary-General Butrus Butrus-Ghali that CNA should be accorded the same freedom to observe and cover the UN as other news agencies.

Meanwhile, Tsu said the UN should restore CNA's accreditation in line with the Universal Declaration of Human Rights which states that all people have the right to freedom of opinion and expression.

Businessmen Urged To Invest in South Africa

OW0610145693 Taipei CNA in English 1332 GMT
6 Oct 93

[By Lilian Wu]

[Text] Taipei, Oct. 6 (CNA)—The Republic of China [ROC]-South Africa Economic Council and South Africa-ROC Chamber of Economic Relations held their 7th joint meeting Wednesday [6 October] at the Taipei International Convention Center.

The one-day meeting focused on potential investment opportunities in South Africa after its political transition.

Chang Chung-[name indistinct], chairman of the ROC-South Africa Economic Council, heralded South Africa's new era of integration, and urged Taiwan businessmen to pay close attention to the course of events there.

A.A. Seales, chairman of the South Africa-ROC Chamber of Economic Relations, said the random violence occurring in South Africa shouldn't sway investors. He urged Taiwan businessmen to familiarize themselves with South Africa's financial and tax incentives for foreign investors, and direct their money to where it is needed most in the country.

Two-way trade between the ROC and South Africa totaled US\$1.72 billion in 1992, up 11.5 percent from US\$1.52 billion in 1991.

Taipei, Budapest Trade Groups Sign Agreement

OW0710105293 Taipei CNA in English 0744 GMT
7 Oct 93

[By Ou Chun-lin]

[Text] Vienna, Oct. 6 (CNA)—An agreement between Taiwan and Hungarian traders was signed in Budapest Wednesday [6 October] to promote cooperation and increased trade between the two groups.

The agreement, signed by William C.W. Huang, chairman of Importers and Exporters Association of Taipei, and Imre Toth, president of the Budapest Chamber of Commerce and Industry, will seek to enhance import-export, investment and business information cooperation.

Witnessing the signing of the pact was Rex S. Wang, executive director of the Taipei [Trade] Association, who arrived in the Hungarian capital Tuesday as head of an 18-member delegation.

Dr. Wei Wu-lien, representative of the Republic of China [ROC] in Hungary, said he was pleased to see such an agreement signed by active traders. Citing Rex Wang as example, Wei said the Taipei Trade Association executive director is also president of Goldmont International Corp., a well established company responsible for the import and export of chemicals, pharmaceuticals, agrochemicals, and nonferrous metals and minerals.

As a matter of fact, Wei added, specific discussion of trade opportunities followed the signing of the agreement.

Two-way trade between Taiwan and Hungary totaled U.S.\$107.5 million in 1992, with Taiwan's exports to Hungary accounting for U.S.\$54.4 million. Imports from Hungary reached U.S.\$53.1 million.

Statistics from Taipei's Finance Ministry also show that in the first eight months of 1993, Taiwan's exports to Hungary rose to U.S.\$49.5 million, an increase of 16.7 percent over the same period last year, while imports registered a 28.3 percent drop to U.S.\$10.9 million.

Finance Ministry Issues Details of Gold Imports

*OW0710104393 Taipei CNA in English 0802 GMT
7 Oct 93*

[By Danielle Yang]

[Text] Taipei, Oct. 7 (CNA)—The Republic of China [ROC] imported more gold from the United States than any other country during the first nine months of 1993, according to Finance Ministry tallies.

The tallies showed that Taiwan imported a total of 108,154 kilograms of gold from foreign countries during the period, with 29,806 kg coming from the U.S.

However, South Africa was the single largest gold import source in September with 2,870 kg.

Total gold imports during the January-September period declined 24.2 percent compared to the same period of 1992, the ministry said.

In September, Taiwan imported a total of 7,338 kg of gold, down 21.2 percent from September, 1992.

The Finance Ministry attributed the decrease in gold imports to a decline in the international gold market.

Hong Kong

Editorial Previews Patten's Policy Speech

HK0610115093 Hong Kong WEN WEI PO in Chinese
6 Oct 93 p 2

[Editorial: "Who Created Unrest Over the Past Year?"]

[Text] It has been a year since Hong Kong Governor Chris Patten put forward his "three violations" political reform package in his policy address on 7 October last year, and today he will deliver his second policy address since taking office. Reflecting on various kinds of difficulties and repercussions experienced by Hong Kong society, people cannot but ask: Who created the unrest over the past year? How will Patten account for this in his second policy address?

Since coming out of its cage, Patten's political reform package has rocked Hong Kong society in many ways, and one of the clearest effects is the split and dispute it has created in society. Originally, the relations of interests among the social strata in Hong Kong were harmonious, and political participation by the social strata was balanced, but Patten's political reform package wants to abolish the system of appointing members of the district boards, change the nature of the functional constituency elections, and alter the composition of the Election Committee and the method to return 10 members of the Legislative Council, so as to undermine the balanced political participation by various social circles and create conflicts and discord among various interest strata in society.

Over the past year, centering on Patten's package, controversies arose among the people of Hong Kong, who are deeply worried about the threat to a smooth transition, and this kind of discontent has affected the harmony of society on the one hand, and brought about a negative impact on the economy on the other.

Because Patten's package has created great obstacles to a smooth convergence, unclear factors have been added to the future of Hong Kong, and the harm has spread to financial circles. After Patten's political reform package came out of its cage, Hong Kong's stock market became a typical political one. Someone closely adjusted pace with the frequent political fluctuations created by Patten to swallow the hard-earned money of shareholders. For example, on 12 March, Patten brazenly gazetted his political reform package, leading to a Patten-type stock crash, and someone took the chance to earn more than 40 billion dollars [currency not further specified] in the stock market. Since the sharp decline on 12 March, many secondary and tertiary shares have not rebounded to the original levels, and medium and little shareholders have suffered losses.

Other than politicizing the stock market, nothing good can be cited for comment concerning the people's livelihood since the political reform package came out of its cage. Because Patten used all his energy to engage in Sino-British confrontation and promote political reform, he could not hear nor ask any questions on the most urgent issues of the

livelihood of the residents. In recent years, the prices of residential flats in Hong Kong soared to the extent that residents bemoan their inadequacy when they look at the high buildings, finding it impossible to buy their own houses.

In his policy address last year, Patten proposed a number of large-scale public projects which are not very urgent. Indeed, his method of throwing money bombs randomly benefits only the British contractors.

Another example showing that Patten ignored people's livelihood while using all his energy to promote political reform is that he greatly increased allowances for members of the Legislative Council. This kind of method to enhance the status of the Legislative Council and, in a disguised way, subsidize the election expenses for the pro-Britain and anti-China legislators, indicates that the Patten administration's focus is completely on promotion of political reform, and that he treats the issue of people's livelihood with indifference.

Over the past year, Patten changed the executive-led operation, and enabled the Legislative Council to become a center to spread various kinds of political storms and to hinder administrative operation, while a large number of topics on people's livelihood and economy were shelved, and numerous topics causing disputes over trifles emerged. The efforts to tackle the problem of harnessing the rivers and combating floods in the northern New Territories, the problem of provisions for the increasing number of old people in Hong Kong by establishing a Central Provident Fund, the housing problem, the problem of industrial upgrading, the problem of retraining labor force, and the problem of the spread of soft drugs among young people, were all postponed and withheld.

Many of the strategies and ploys used by Patten to create an unstable social situation in Hong Kong were not mentioned in his policy address and were deliberately avoided in it. For example, Patten used the policy of rapid reshuffle of senior civil servants to replace the normal public service policy, preached politicizing of civil servants, and made the neutral and faithful civil servants feel that they are oppressed and subject to huge repercussions, thus, discontent grew among them, and some able administrative officers were forced to look for other jobs. And the policy of allowing expatriate civil servants to change terms has not only dealt a blow to the confidence of local civil servants, but also led to conflicts and clashes between Chinese and foreign civil servants.

After World War II, all the governors of Hong Kong viewed good relations with China, a stable and harmonious social situation, economic development, and improvement of people's livelihood as their most important duty of administration. But Patten has his own ideas and turned the situation into a mess. The 1992 policy address was one which rocked Hong Kong society the most in the past several decades. This is inseparable from Patten's tough policy towards China in order to provoke confrontation. Under the influence of the policy address,

various trades in Hong Kong could hardly avoid discontent, as well as the harm caused by it. Patten has been criticized and opposed by more and more Hong Kong people, as well as by the British merchants, so his reputation dropped rapidly, and he can only blame himself. Some people in Hong Kong tried to find excuses to defend Patten, saying that over the past year, the Patten administration did not cause any discontent or unrest, but this is a blind saying which contradicts the feeling of the Hong Kong people.

He will deliver his second policy address today, let us see whether he will change course or continue to use the interests of Hong Kong people as chips.

Governor Patten Gives Annual Policy Address

*HK0610133793 Hong Kong Television Broadcasts
Limited in English 0630 GMT 6 Oct 93*

[Excerpts] In my first address to this Council last October, I set out an agenda for Hong Kong for the five years from 1992 to 1997. It covered social, educational, environmental, and economic priorities. It sought to show how we would work to secure Hong Kong's way of life, a market economy operating within the rule of law, enjoying all the values of a free society. But most attention focused on the last major unresolved political issue of the transition from British to Chinese sovereignty. It is a difficult matter. Were it not so, I imagine it would have been satisfactorily overcome long ago. I refer, of course, to the arrangements for the last elections under British sovereignty.

The proposals the government put forward last October had been deliberately framed to ensure that they conformed with the provisions of the Joint Declaration and the Basic Law. There followed a prolonged and vigorous debate, during which those proposals were endorsed by this council by a comfortable margin and were regularly supported in opinion polls by substantial majorities. We made it clear that these were proposals which we would like to discuss with our Chinese colleagues. However, it took six months to get discussions under way. They began when legislative debate was about to start in this council.

Perhaps there is a lesson in that. There have now been 12 rounds, or about 100 hours, of talks. The British and Chinese foreign ministers met to consider progress for the second time on 1 October at the United Nations in New York. Later this afternoon, I will review the ground that has been covered with the Chinese negotiators, the solutions we have proposed, and the work that lies ahead.

In last year's policy address, I put forward 103 specific policy proposals aimed at improving the quality of life of Hong Kong people. Some were to be achieved in the longer term, others during 1993. I can report today that we have achieved, or are on schedule to achieve, virtually all of our commitments. I shall not go into the details this afternoon of where we have got to with each commitment. Instead, a detailed progress report is being made available to members and to the community with the printed version of today's policy address. This report lists progress, item by item. It is, I believe, an impressive record. But members

will not be surprised to hear we are not perfect. There have been some serious shortfalls as well—relatively few—but we identify them alongside our successes and try to explain what we propose to do about them.

Last year we made a bold start and the financial secretary built on it in his budget in March. This year, we can afford to do even better, setting new standards to meet the rising aspirations of our people. How can we afford it? Thanks, once again, to prudent financial management, continued economic expansion and, above all, the hard work and success of the people of Hong Kong.

I believe we should set—as a community—five priorities for the coming year:

First, to do everything we can to agree with China fair, open, and acceptable arrangements for the elections in 1994 and 1995 and, at the same time, to work out new ways of developing Hong Kong's relationship with China and its institutions at the practical level; second, to ensure that our economy remains strongly competitive in the international market-place and even more accountable to its customers; third, to concentrate on specific improvements in our social service, education and housing programs; fourth, to deliver real improvements in our care of the elderly, a growing proportion of our population; and, fifth, to tackle head-on the recent upsurge in that most corrosive of evils, corruption.

I will not restate at length this afternoon our fundamental economic policies—our commitment to low taxes, controlled public spending and free enterprise. We will remain committed to these principles throughout my governorship. Nor do I intend to review our economic prospects in any detail. I will leave that to our excellent financial secretary. I have just one thing to say on that score: how many other finance ministers in the world could have used their budgets this year simultaneously to cut taxes, raise spending and increase the reserves? Our financial position today is sufficiently healthy to allow us to undertake additional commitments to much-needed capital improvements to our schools, hospitals, and clinics, as I will explain later.

There has been no let-up in our economic advance.

This year, we are set to overtake Australia and the UK in terms of GDP per head. Next year, we should draw level with Canada. Real GDP growth is likely to be about 5.5 percent for the year, an impressive performance, underpinned by the continuing strength of our exports, consumer spending and capital investment. Inflation has eased, but it is still too high. It is likely to average 9 percent or just under for the year, not the 9.5 percent we originally forecast.

Meanwhile, the Hang Seng Index has shrugged off setbacks to reach a succession of new records. At the end of September, it was nearly 40 percent higher than at the same time last year. It is probably the best performing major stock market in the world.

This performance is all the more remarkable because of the difficult conditions in some of our major markets. The U.S. and UK economies have only recently begun to emerge from a long and painful recession. The other major European economies and Japan have yet to do so.

Hong Kong has taken these challenges in its stride, notching up another year of solid growth. But we cannot be complacent. As ever, difficulties lie ahead. On the trade front, the question of China's MFN [most favored nation] status will come up again next spring to dog the relationship between our two most important trading partners. We will continue to fight for unconditional renewal, as we did vigorously—and with considerable impact—this year. But our task may be even more formidable next time than it was this year. Another worry is that the Uruguay Round of the GATT negotiations may miss yet another deadline, thus frustrating our hopes of greater trade liberalization and placing the multilateral trading system in jeopardy.

Closer to home, inflation has reached serious levels in China's major cities this year. The Chinese Government has acted to counter this threat. I applaud the way in which China acted to slow down growth without turning back from economic liberalization. If it can hold fast to its economic principles in times of difficulty, it will win allies around the world, not least in support of its bid to rejoin the GATT. We hope the measures will succeed. If they do, the territory's economy will benefit considerably. Certainly, interdependence with the economy of southern China means that we are vulnerable to price pressures in China but, for the time being at least, our exports and re-exports retain significant competitive advantages. It may not be an easy year for the Chinese economy—yet another reason for us to be prudent in our economic management.

For Hong Kong, nothing is more important than getting the economy right. I think this is a point well understood here. For Hong Kong, while it is true that our way of life sustains our economy, it is equally true that our economy supports our way of life. In setting out our policy goals, the economy comes first. We have to keep it fit and healthy.

Last year, I asked my new Business Council to decide how to take forward the competition initiative announced in my Policy Address. Following consultation with the Business Council, we provided funds for the Consumer Council to conduct competition policy studies specific to individual industries. From what I have seen so far, they have done an excellent job. I expect the government to follow up each market study by publishing a detailed response within six months of its release. It is important that the Consumer Council has the resources it needs to complete its work on competition policy. I therefore propose to provide an additional 3.5 dollars million next year to the council for the employment of consultants to provide the necessary support. [passage omitted]

But the overriding challenge in developing our infrastructure is how to meet the demands both of our own economic expansion and of China's modernisation. So we have to construct the port, airport, road, and rail facilities to cope

with continued economic expansion well into the next century. There are some projects which we can undertake and complete by 1997 entirely from our own resources. In other cases, financing or construction will require a longer time frame.

Our ability to proceed with major projects straddling 1997 depends, in the last resort, on our success in persuading the Chinese Government to agree to them. Sometimes securing agreement requires prolonged discussions. Where the length of these discussions threatens the completion of a project, I believe that we should still do everything we prudently can to take these vital projects forward as far as we are able. The alternative would be effectively to delay or abandon projects which encounter opposition and I do not believe that would be right or acceptable to the people of Hong Kong.

Hong Kong's infrastructural needs are clear. We will continue to plan to meet them; press on with our endeavours to complete projects on time and within budget; and persevere in our efforts to win the Chinese Government's cooperation. Unless we can secure that cooperation soon over financing the new airport project and Container Terminal 9, Hong Kong faces the unhappy prospect of delays in the modernization of its port and airport facilities. At the end of the day, the best we can do is to emphasise to our Chinese colleagues that these projects are essential, not just to the future Hong Kong SAR [Special Administrative Region] but also to southern China.

A year ago, I said that the case for Hong Kong's new airport was overwhelming, that it deserved to be built, and that it would be built. While continuing to seek an overall agreement with the Chinese Government, we have pressed ahead resolutely with the airport core projects in accordance with the Memorandum of Understanding.

And we are doing very well. Work on the Airport Core Program [ACP] is moving forward in record time, with all the contracts let so far within budget and progressing well. In other words we are proceeding in typical Hong Kong fashion.

The airport: The Site Preparation Contract for the new airport—one of the biggest civil engineering projects in the world—is well under way. Hong Kong is now home to the world's largest dredging fleet. Since November last year, about 250 hectares of the airport island have been formed—nearly the size of Kai Tak Airport's 289 hectares.

Government works: Twenty-eight major government contracts within the ACP, worth almost 30 billion dollars [not further specified], are already under way. With the support of members of this council, 81 percent of the government works have now been funded and, of this funding, 70 percent has now been contractually committed. Amongst these projects is the contract for the construction of the Tsing Ma Bridge—the world's longest suspension bridge carrying a railway as well as a road. One of the main towers for this bridge is close to its final 200 m height—as tall as a Central skyscraper. All the key contracts for the North Lantau Expressway, the sections of Route 3 linking North

Kowloon with the Lantau Fixed Crossing, and the West Kowloon Expressway have also been let.

The Western Harbor Crossing: With the support both of this council and of the Chinese Government, the franchise for the Western Harbor Crossing has been granted and work on constructing the tunnel is now under way.

The airport railway: Detailed design, route protection, and other advance works are under way, although construction of the airport railway will not start until we have an agreement on its financing.

We have taken the pragmatic option of doing what we can to build the airport, as I said last year, "not for Britain, but for Hong Kong and southern China". But this pragmatism will not build the whole Airport Core Program. The date is not far off when the start of some key airport contracts will be held up if we cannot secure the Chinese Government's agreement on financing.

By the same token, I regret to inform this council that the Chinese Government's failure to agree to our proposals for the construction of Container Terminal 9 [CT9] is causing worrying delay to essential port expansion.

Let me spell out what is involved here.

The port and its related business generates 15 percent of GDP and jobs for 350,000 people. Last year, our port handled 87 percent of our external trade—100 million tonnes of cargo, including 8 million containers. If CT9 is delayed by even two years, the economic loss to Hong Kong will be 20 billion dollars in the decade after 1997.

So the development of CT9 is urgent. The present delay will hamper our ability to service the export-led growth of southern China as fully as we would wish to—and as China has indicated it wishes us to do. Ships will be turned away and they may not return to use our port. The delay will also lead to longer traffic queues at our existing port facilities, aggravating congestion throughout the rest of the transport network, and directly reducing the quality of life for the public at large. Once again, let me reassure this council that we will do our level best to move the development of our new container terminals forward.

Let me make three final points about all these great infrastructure projects which will contribute so much to Hong Kong's future:

First, we have done all we can to take these issues forward. We do not link political and livelihood issues. For the government of Hong Kong, the first priority is, and always has been, the well-being of the people of Hong Kong.

Second, when negotiators reach agreement on these matters, they are not doing Hong Kong a favor. They are doing their job.

Third, if we do not make the progress that we could and should make, it will be the people of Hong Kong and China, especially our neighbors in Guangdong, who suffer.

I do not wish to see that. There is no excuse whatsoever for playing politics with Hong Kong's economic prospects. [passage omitted]

Old people, young people, all of us want a safe community to live in. Throughout the world, cities impose enormous pressures on the family and other traditional social institutions. As they grow in size and wealth, cities become more difficult to police, the pickings for criminals grow bigger and bigger, while poorer neighborhoods can become dominated by criminal gangs.

Compared with other large cities, Hong Kong has done pretty well. Unlike most cities, key crime rates here—already low—are actually falling. This year, violent crime is down by 6 percent. Vehicle theft, a major cause of concern last year, is down by a quarter. Why has crime fallen? The answer is complex and clearly a buoyant economy with full employment, coupled with subsidised housing and an effective social services safety net, are part of the explanation. But a great deal of the credit must go to our excellent police force who, day in day out, fight the criminals on our streets. Professional, disciplined, and courageous, they are one of the finest police forces in the world. In recent weeks, we have witnessed once again the dangers they face as a matter of routine in the difficult job they do. I pay warm tribute to them all and to all the other law enforcement agencies who work alongside them.

So much for the good news. But behind the figures are still too many crimes, too many lives risked, too many innocent victims. So our drive against crime must continue—without let-up. We will continue to fight crime by giving our police officers the legal weapons they need to deal with organized crime and by putting as many police as we can on the beat through our successful recruitment program. I am delighted to tell this council that so far this year, we have recruited 1000 more police officers.

Criminal organizations remain a threat. Today's triad bosses are a far cry from the bully boys and street fighters of the past. They are well-organized criminal entrepreneurs, who frequently use legitimate business operations to conceal their intimidation and extortion.

The police urgently need the powers contained in the "Organized and Serious Crimes Bill" already before this council for 16 months. Of course, members must scrutinize the bill's provisions for their impact on the rights of the individual. But our policemen and women are facing a serious threat now. They need the powers to crack down hard on criminal gangs as soon as possible. I urge the council to press on speedily with your work on this bill.

If we are to maintain Hong Kong's reputation as a city in which people can live, work, and carry on their business free from intimidation and extortion, we have to deal ruthlessly with corruption. The very low level of corruption that Hong Kong has achieved over the last two decades has been a major asset in our development as an international business centre.

Hong Kong already makes relentless efforts to enforce the highest standards of personal integrity within the public

service. The criminal convictions this year of personnel from the disciplined services, and even a member of this council, show that we cannot lower our guard. For its part, the civil service values the respect and cooperation from the community which a reputation for professionalism and honesty has brought. This reputation owes a great deal to the work of the Independent Commission Against Corruption [ICAC] over the last 20 years. In 1994, the ICAC will start its third decade of operations. As ever, its first priority will continue to be to ensure that the civil service continues to set a conspicuous example to the rest of the community, of freedom from malpractice of any kind.

Despite our past successes, Hong Kong has become increasingly alarmed about corruption over the last year. In the first eight months of 1993, the ICAC recorded a 44 percent rise in complaints about corruption received from the public over the same period in 1992. The increase affects the private as well as the public sector.

I am determined that we give no quarter to corruption. We will provide the resources next year for the ICAC to set up another investigation group with nearly 40 officers. This will give the operations department more bite. The extra resources will also enable the ICAC to respond effectively to complaints during the 1994 and 1995 elections. In addition, another 30 officers will be redeployed to form a special working group to establish tighter links with the private sector.

The community is, of course, worried that our business sector is becoming more vulnerable to corrupt practices. Equally, business leaders have urged me repeatedly to ensure that as the barriers to trade and investment are reduced around the world, Hong Kong's barriers to fraud and corruption are not lowered. Hong Kong has an interest in the removal of all obstacles to the flow of trade and investment. But there is mounting apprehension that our business sector will become tainted by the lower ethical standards it encounters when it embarks on production or financial operations elsewhere. Our businessmen are aware that our standing as Asia's leading business location would be in danger if we relaxed our vigilance against malpractice.

In order to defend our business standards, I have directed the ICAC to launch a campaign in cooperation with the major business associations and professional bodies.

The ICAC has considerable experience in helping businesses to develop voluntary codes of practice to prevent business malpractice. I intend to build on this experience, and we have set the following targets:

The ICAC will invite listed companies to urge their officers and staff to conduct fair and open dealings with all customers, suppliers and contractors according to a corporate code of conduct. The code will identify effective channels of complaint from the public. We hope that other companies and businesses will quickly follow their example.

The ICAC will then invite all firms employing 100 staff or more to adopt similar codes of conduct to enhance the integrity of their business operations.

Chambers of commerce and similar organizations will be asked to urge their members to follow procedures which minimise the opportunities for malpractice according to a code of conduct.

The bodies which represent lawyers, accountants, engineers, surveyors, and all the other professions vital to our commercial well-being will be asked to ensure that their existing codes of performance also encourage their members to be pro-active in reporting corruption and in closing loopholes which allow malpractice to survive.

Legislation has recently been introduced to give auditors of financial institutions protection in reporting fraud and other irregularities. This will be extended to the auditors of all listed companies.

I wish to turn briefly to an issue to which members have devoted a great deal of time and effort: the question of British nationality for British passport holders among the non-Chinese ethnic minorities in Hong Kong and for the wives and widows of Hong Kong's ex-servicemen. It is very proper for this council and for our society to ensure that the anxieties of these people are not forgotten.

I have conveyed these concerns very vigorously to ministers in London. They have responded with formal reassurances both in statements to parliament and in responses to the Executive Council and members of this council. I have to say that these have not gone as far as Hong Kong would want. Let me assure this council that I will continue to press the British Government as strongly as I can for a better deal for our ethnic minorities and for the wives and widows of our ex-servicemen.

In a modern, urban society it is all too easy to ignore the rights and personal dignity of the individual. It is particularly important that the government should set its face against such attitudes. I am therefore asking the secretary for home affairs to take responsibility for human rights issues and for related policy areas such as press freedom and data protection. This arrangement will make it easier for the government to respond to the concerns of this council and the community at large. [passage omitted]

There is one particular group that I would like to make special mention of this afternoon. I pay tribute to their conscientiousness, their loyalty, and their dedication to the people of Hong Kong. I am talking, of course, about our excellent civil servants. I know it has not always been an easy year for them but I work with them closely every day and I know how they perform. Hong Kong is very lucky indeed to have them. The high standards reached by our civil service owe a great deal to the dedication and leadership shown by Sir David Ford. When he leaves his post of chief secretary at the end of next month, the civil service, this council, and the community as a whole will owe him a considerable debt of gratitude for the commitment he has shown to Hong Kong's interests throughout his distinguished career. At the same time, I would like to

take this opportunity to welcome warmly Anson Chan to her new post. I know that she will be an outstanding chief secretary and provide inspiration and leadership to the civil service in the challenging period ahead. [passage omitted]

I would like to turn to the future of the Civil Service. As the head of the executive, I have a special responsibility to pave the way for Hong Kong people running Hong Kong. To me this is not an abstract political concept, nor is it concerned just with the representation of the people. It also means we must ensure that before 1997 the government is led as far as possible by local people, in particular by people who can meet the requirements to serve as principal officials after 1997 in accordance with the Joint Declaration and the Basic Law. In other words the posts of chief secretary, financial secretary, the attorney general, the policy secretaries, and some others will be filled by Chinese nationals who have no foreign right of abode. It is my intention to have in place a team which can meet the requirements of the Basic Law in good time before the change in sovereignty.

Localization has been our policy for a great many years now. We have always preferred the gradual approach. Over the last decade the proportion of overseas officers in directorate ranks in the civil service as a whole has declined from 55 percent to 35 percent. [passage omitted]

I have already said that we are aiming to fill all "principal official" posts, including that of attorney general, with local officers who can meet the requirements of the Basic Law in good time before 1997. In the Legal Department we also need a pool of qualified local people at the tier immediately below the attorney general's level to provide for the future. This is not going to happen unless we take more positive action. Therefore, we will be making special arrangements to ensure that three of the five law officer posts will also be filled by local people by the end of 1995. To provide a better foundation for the future, we shall also be enlarging the Development Posts Scheme and extending it to provide opportunities for local officers to be groomed and to act at the principal crown counsel rank. [passage omitted]

I hope what I have said will be seen by members of this council and by the community as evidence of the government's continuing commitment to localization. The dominance of local people in the management of programs and services is, in my view, essential. Nevertheless, we must not forget that Hong Kong is an international city in which overseas officers continue to have an important place, a fact recognised by the Joint Declaration and the Basic Law. Those who cannot continue to be accommodated must be treated fairly. We shall need to work with the Chinese Government on these issues as 1997 approaches. [passage omitted]

Since my arrival in Hong Kong, I have been repeatedly asked about the territory's future. In particular, I am asked to explain why I should feel confident about Hong Kong's ability to remain one of the world's most attractive cities to

live in after 1997 when we seem to have had so many disagreements with Peking over important issues which affect the future.

I want to emphasize again that I am confident about Hong Kong's future as a good place in which to raise a family or make a career. Provided that the "one country, two systems" concept is fully implemented and respected, Hong Kong's special way of life is bound to flourish far into the next century.

Let me explain why I believe that our community can take such a robust view of its future. First, I am greatly encouraged by the breadth and depth of our relationship with China, a relationship which, in most areas, is constructive and beneficial to both sides. The level of business ties is the most obvious example of the successful relationships which we enjoy.

Hong Kong's entrepreneurs led the world's business into China in the 1980's. They have the biggest stake in China's modernization, accounting for about two thirds of external direct investment in the country. They have helped to make Guangdong probably the fastest growing region in the world.

China's leading state enterprises have long played a major role in banking, transport, distribution, and other key sectors of the Hong Kong economy. Their more recent investments in aviation, telecommunications, and construction have given them an additional stake in Hong Kong's prosperity.

The international business community has responded enthusiastically to the way Hong Kong institutions such as our stock exchange are forging new areas of partnership with their China counterparts. Some 672 international corporations have established their regional headquarters here in the past four years.

The government, too, is heavily involved. The figures speak for themselves. In the first half of this year, six policy branches and 38 departments made a total of 166 official visits to their Chinese counterparts. And the flow is in both directions. Over the same period, 130 groups involving almost 1,000 Chinese officials came to Hong Kong.

Policy branches and departments have developed an extensive network of direct contacts with their Chinese counterparts at the working level. Contact with Chinese Government agencies and their staff is an increasingly regular feature of their normal working day. Let me mention just a few examples.

Banking supervision: Cooperation between the People's Bank and our monetary authority covers both supervision of institutions and exchange of information.

Infrastructural planning: Cooperation started with shared environmental concerns. But the range of contacts has expanded to cover wider planning issues.

Cross-border crime: Chinese Liaison Officers are posted to Hong Kong to work with our Police Force.

Staff exchanges: Hong Kong offers training opportunities in a range of skills, from regulation of financial markets to airport management.

I am particularly encouraged that, in these meetings, we have wholly constructive discussions about common interests within the framework of the Joint Declaration. Hong Kong can do business with China, now and in the future, without losing its special identity and way of life.

The relationship goes beyond the worlds of business and government. It involves an enormous tide of people in both directions, creating increased cooperation and understanding on both sides. The projections for this year show how fast the flow is growing.

Cross-border flows will reach a new peak, with nearly four cross-border trips for every man, woman and child in the territory.

The number of mainland visitors to Hong Kong will reach one million.

The number of passengers to and from China passing through Kai Tak will be over 2.5 million, a 60 percent increase over five years, and representing one in seven of all passengers.

About half of our external telecommunications traffic will be with China.

This close relationship with China is the product of culture, location and history. We have benefited enormously over the last decade from the increasing China dimension to Hong Kong's life. This is destined to expand still further. It is vital that we continue to take the fullest advantage of the opportunities which China's modernization offers us.

In the months ahead, we intend to discuss with the Chinese authorities practical measures to develop cooperation in the main areas of importance to our working relationship: The exchange of information on major infrastructural projects in Hong Kong and Guangdong; the creation, with the advice and support of the Industry and Technology Development Council, of an applied research centre, drawing together the expertise of our tertiary institutions and of the Chinese Academy of Sciences; measures to encourage the cross border flow of a wider range of telecommunications services; and our proposal, strongly supported by the Hong Kong haulage industry, for the opening of a 24-hour border crossing at Lok Ma Chau.

I now turn to a matter which I know is of great concern to people in Hong Kong because it vitally affects their future and the nature of the society in which they will live, this is the work of the Joint Liaison Group. Britain and China have agreed in the Joint Declaration that they will intensify their cooperation in the Joint Liaison Group [JLG] in the second half of the transition period. We are now well into the second half. Yet the expected acceleration of the work of the JLG has failed to materialise. Instead, it seems that its work has almost come to a halt.

It is, therefore, essential that we inject a new sense of urgency into the JLG. Hong Kong has a right to expect that the JLG performs and completes the task set for it in the Joint Declaration. There is no specific British interest to be served by resolving the outstanding issues on the JLG agenda, other than our aim of governing Hong Kong as well and as competently as possible. But settling these matters will be of direct benefit to the Hong Kong SAR and China. Failing to do so will create unnecessary uncertainty and confusion about the transition and will call into doubt the continuation of Hong Kong's vital legal and commercial relations with the outside world.

generally political. They are, almost always, technical or practical matters which have a direct bearing on the lives of people in all walks of life in the territory. Let me give a few examples of what I mean.

The Hong Kong Government has put forward proposals to preserve existing arrangements for visa-free travel overseas for Hong Kong people after 1997. Ease of travel overseas is a convenience which Hong Kong people rightly enjoy; it also facilitates trade and tourism and thus makes an important contribution to Hong Kong's prosperity. If we cannot reach agreement on this in the JLG, it would be difficult to see how these arrangements could survive 1997.

We are in the process of negotiating a network of air services agreements between Hong Kong and key aviation partners which will extend beyond 1997. A number of initialled agreements are now under consideration in the JLG. If we are unable to complete this program, the effectiveness of Hong Kong's existing civil aviation relationships will be called into doubt and Hong Kong's reputation as a major centre of international civil aviation will suffer.

We are negotiating agreements with a number of countries to enable Hong Kong to return fugitive criminals to their country of origin and to get back criminals who flee from Hong Kong. These agreements play an important role in the fight against international crime. If these agreements are to remain valid after 1997 they must be cleared through the JLG. If they are not all in place by 1997, our ability to fight international crime will be impaired and Hong Kong risks becoming a haven for criminals.

The JLG is currently discussing who will be entitled to enjoy the right of abode in the territory after 1997. This is an issue of vital concern to people both of Chinese and non-Chinese origin in this community. If the JLG were to fail to reach clear-cut conclusions on this important issue, some members of our community would face real uncertainty about their future in the territory.

These are just a few illustrative examples. The full list of outstanding JLG matters is a daunting one but there is no acceptable reason why the experienced teams on both sides should not be able to deal quickly and efficiently with these matters. They owe it to the people of Hong Kong to ensure that their agenda is completed by 1997.

We must also look to Hong Kong's legal and judicial systems. Legislation will be drafted to establish a Court of

Final Appeal on the basis agreed by the JLG in 1991. I appreciate that some members have expressed reservations in the past over the agreement reached with the Chinese Government. It will be incumbent on the administration when bringing the Bill forward to convince both you and the community that it is a sensible and honourable agreement, one that is consistent with the relevant provisions of the Joint Declaration. The ultimate decision will rest with this council but nothing, I believe, will do more to build trust and confidence in our judicial system than the smooth and effective operation of a Court of Final Appeal well in advance of 1997—with the firm guarantee of a life beyond that year.

It is urgent that we prepare for the change of sovereignty in 1997 by pushing ahead with adapting and localizing our laws to bring them into line with the provisions of the Basic Law. A special unit has been established in the Legal Department to advance this important work. In the years ahead, we intend to allocate additional funds to the unit to ensure that work remains on schedule.

We will need to introduce into this council a large number of bills in the next three years to localize our legislation. We have included 10 in the 1993-94 legislative program. There is a great deal to be done, and not much time to do it, if we are to ensure that we have a complete set of laws capable of continuing beyond 1997. If progress in the JLG does not speed up significantly, there is a high risk that the work will not be finished before 1997 and we will then face a legal vacuum. It would be irresponsible for us to let that happen and I am determined that we should do everything possible to keep to our target for this extremely important exercise.

It will also be vitally important during the transition to improve the efficiency of our courts. With this end in view, this council has approved the appointment of a judiciary administrator to take responsibility for promoting a service-orientated culture within the judicial system. We expect to have the new administrator in place by the end of this year. At each level of the court system, judicial leaders will be appointed, again tasked with promoting efficiency. In addition, the chief justice will chair a high level working party comprising members of the judiciary, the legal profession, and the public through which a thorough review of existing administrative systems will be conducted to determine how and where improvements can be made.

Getting the mechanisms, the systems, the agreements in place cannot be our only goal. No less important is the task of developing confidence and commitment about the long-term prospects of Hong Kong among the community at large and among Hong Kong's partners around the world. In the last resort, confidence in the future depends on individuals being convinced that 1997 will not mean an undermining of the personal liberties which they enjoy and which are a vital ingredient in our separate system, our special way of life.

and the Basic Law seek to provide the community with assurances on this score but there is more that could be

done. The Joint Declaration lays down that the provisions of the two International Covenants on Civil and Political Rights and on Economic, Social, and Cultural Rights as applied to Hong Kong, will remain in force after 1997. But it would be a very welcome step if the Chinese Government were to become a signatory to these two covenants.

One year ago, I announced in this Council a number of proposals for constitutional development. These fell into two groups. The first group of proposals was designed to strengthen the effectiveness of our executive-led government and its accountability to this Legislative Council [Legco]. I proposed that to enable the Executive and Legislative Councils each to play their proper roles, the nonofficial membership of the two bodies should, for the time being, be separate. This has now been achieved. I proposed a new Executive Council without representatives of political parties and we now have that too. I proposed last year that the governor should be replaced as president of the Legislative Council by an elected president. You, Mr. President, then took office and I am now answerable to this council as head of the executive. Over the last year, I have attended 10 question-and-answer sessions of this council.

I also proposed that the Government should work with members of this council to develop new arrangements for your own administration and support facilities. Much work has been done on that and I am glad that a new Legislative Council office will soon be established. Finally, in this first set of proposals, I suggested a Government-Legco Committee, where the administration could discuss with members of this council the handling of the administration's legislative and financial programs. I remain convinced that some form of mechanism is needed for the purpose I have identified and I am ready to consider any recommendations that members may have.

Those then were the first set of proposals that I put forward last year. Generally there has been good progress on them and I believe that both the executive and the legislature have benefited.

My second set of proposals last year concerned the arrangements for the 1994 elections to the district boards and the 1995 elections to the municipal councils and the Legislative Council. The purpose was to ensure that those elections were open, fair and acceptable to our community and, at the same time, within the framework of the Basic Law, so that continuity through 1997 could be achieved.

There were six proposals:

First, the reduction of the voting age from 21 to 18, as in China, Britain and elsewhere;

Second, a single vote, single seat voting system for geographical constituencies;

Third, replacement of corporate voting by individual voting in all the present functional constituencies and arrangements for the nine new functional constituencies to enfranchise all the remaining eligible voters in our working population;

Fourth, developing the role of district boards and abolishing appointed membership on these and on the municipal councils;

Fifth, the establishment of a Boundary and Election Commission; and

Sixth, that the election committee which will be needed for 1995 should comprise members who have themselves been elected. I suggested that the simplest way to achieve this would be to draw all or most of its members from the directly-elected district boards.

Of these six proposals, only the fifth—the establishment of a Boundary and Election Commission—has so far been fully implemented. The first part of my fourth proposal—developing the role of district boards—has been implemented. But all the rest remain, so far, unimplemented and are the subject of discussions with the Chinese Government.

I explained last year why it was necessary to discuss these proposals with China. It is clear that our community wants fair, open elections. It is also clear that the community wants continuity after 1997. People naturally want to be confident that the members they elect in 1995 may expect to serve a full four-year term in this council. That is why I said last year that my proposals would require serious discussion with Peking and why I made it plain that they were proposals, not final decisions. From the outset, we were prepared for a serious negotiation.

In the event it took many months to get talks under way. There have now been twelve rounds, the British team being very ably led by the ambassador in Peking, Sir Robin McLaren, and including members of my administration. In addition, the foreign secretary and the Chinese foreign minister have discussed these matters twice in the last three months. It is a matter of regret that I am not yet able to report agreement on any of the matters covered by my proposals.

The negotiators have agreed that the content of their talks shall be confidential and I shall not breach that understanding. But members of this council have a right to know about the British approach to the talks and the status of my proposals, particularly in the light of press leaks about new proposals tabled by the British side. I can confirm that the British side did table revised proposals in July and August this year. These differ, in respect of the arrangements for functional constituencies and the Election Committee, from the proposals I offered in this Council last year: in all other respects the proposals are the same. They are proposals that we would be prepared to recommend to this council if they formed part of a satisfactory overall agreement which must, of course, include acceptable arrangements for the "through train."

Because of the confidentiality undertaking I do not want to be specific about the nature of the revisions. In general terms, however, we have made two major moves in an attempt to meet Chinese concerns. First, we have devised a new proposal for the nine new functional constituencies, based on organizations as the Chinese have argued and

with a total eligible electorate of about a third of that in my original proposal. We continue to insist that electors should vote individually, not corporately. Secondly, we have tried to meet China's preference for a four-sector election committee of the kind set out in the Basic Law for the post-1997 Election Committee. We continue to argue that all members of the election committee should themselves be elected.

I repeat, these are major moves. They were not made lightly and they are not mere negotiating ploys. They are evidence of our sincerity, our flexibility, and our determination to make a success of these talks. But our room for maneuver is limited if we are to remain, as we must, true to the principle that election arrangements in Hong Kong should be fair, open, and acceptable to the community. That is what the debate is about. It is not about the pace of democratic development; the pace is set out in the Basic Law and will not change unless the Basic Law itself is changed. It is about ensuring that democratic development is fair and open. If we allow a system to develop in which elections may be compromised, we invite corruption; we endanger the rule of law, on which our success depends; and we risk losing many of the freedoms that protect our way of life and which both the Joint Declaration and the Basic Law seek to guarantee.

We shall stick to our principles. We shall also continue to seek from the Chinese Government an agreement on objective criteria for the "through train" so that those who may want to run for election to this council, as well as those who vote for them in 1995, know before they do so what the rules of the game will be.

We believe strongly that it should be possible to reach an agreement with the Chinese Government which is fully compatible with the Joint Declaration, any other agreements, and the Basic Law, and which satisfies both our principles and Chinese concerns. But we now have only weeks rather than months to conclude these talks. There will then be a great deal of work to do to ensure that orderly elections can be held on time.

We must take the views of this Council, reflecting the wider debate in the community.

We may then need to set the law draftsmen to work on developing what is already complex draft legislation.

We must leave time for full consideration of draft legislation by this Council.

And we must complete the process by July 1994 at the latest if we are to have time to complete all the necessary follow-up action for the elections.

Some have suggested that we should separate the 1994 District Board Elections from the 1995 Municipal Council and Legco Elections. This would not work. The proposals affecting both sets of elections are interrelated. They need to be considered as a package in the talks with China and then in this council. The conclusion is clear. We have little time left in which to take the first step of securing agreement, if we can, with the Chinese side.

One 20th century commentator, an historian, when asked what he thought was the significance of the French Revolution in 1789, replied: "It's too soon to tell." How then, so hard up against the events of the last year, can we tell their significance?

Even so close to the canvas, we can pick out the main features of the picture. It has been a year of success in every area but one. Our economy has thrived. Our social programs have expanded. Our quality of life has improved. All those statistics of success tell a tale of promise achieved in the pages of the Progress Report that we are publishing today with my Policy Address.

Where have our efforts failed to bear fruit? In an area where no one wants failure—in the attempt to create a closer understanding with China, to replace baleful suspicion with confident trust.

Why have we failed so far? Not for want of trying. Not for lack of the will to make our relationship work better. As China's market opens up and blooms, economic convergence becomes a happy fact of life. So why not convergence elsewhere?

Alas, we have still not succeeded in convincing Chinese officials that Hong Kong's extraordinarily modest aspirations for political development are legitimate, that they deserve to be met, that they are part of the natural evolution of an increasingly mature and sophisticated society, and that they are, in a sense, a condition of our continuing success as a great international trading community. These aspirations pose no threat to China now nor in the future. Indeed, the concept of "one country, two systems" should accommodate them comfortably.

The argument, as I have said, is not about whether we should accelerate the pace of democracy in Hong Kong, though many of you think—perhaps understandably—that it should be. The argument turns on whether the agreed steps towards democracy will give the people of Hong Kong a real opportunity to choose and on whether those steps are credible or not.

In order to try to win agreement, we have—as you will have observed—been prepared to make substantial moves in our talks with China to take account of Chinese concerns. I will leave it to the Chinese side to say how far they have been prepared to move.

We will go on working as hard as we can for an agreement. We believe it should be possible to reach an accord that meets the concerns of both sides but we are not prepared to give away our principles in order to sign a piece of paper. What would that be worth?

We believe that the people of Hong Kong deserve a credible legislature, fairly and openly elected. Anything less than that would surely undermine the rule of law and that rule of law is essential to the maintenance of Hong Kong's prosperity and freedom. The argument fuses together what is right—what is moral, if you like—with what is expedient.

In this Chinese city, we know that a free society governed under the law works and we know that freedom must be firmly rooted, as it is, for example, in the Joint Declaration. Otherwise, Hong Kong will spend its future forever looking over its shoulder. Why keep a bird on a string unless you want to tug it back from time to time?

We passionately want Hong Kong to have the best possible relationship with China before 1997 so that it can prosper and grow in strength as China prospers and strengthens in the years ahead. But, at the end of a century in which again and again we have seen hope and promise so often turn to ashes when men and women failed to stand up for what was right and what they believed in, there is a point beyond which I do not believe that we could justifiably go, even in pursuit of an agreement to which we genuinely aspire.

Is what Hong Kong stands for a throw back to the past or a wave of the future? Will the world be happier and more prosperous, or less happy and less prosperous, as more of it shares our values and copies our success? We know the answers to those questions.

"One country, two systems." That is what I wish to see. I must and will stand up for our system. That is my responsibility but, in the final analysis, the government can only defend that system, that way of life, with the community's support. And I say this to all of you. If we are not prepared to stand up for Hong Kong's way of life today, what chance of doing so tomorrow?

I say that we can only be as bold as you. That is not a surrender of leadership. It is a statement of fact.

We cannot be bolder than you because liberty stands in the heart. When it shrivels there, nothing can save it.

And there is another reason, too.

We do not yet have full democracy here in Hong Kong. But democracy is the road which the Chinese Government has agreed Hong Kong should follow. The Joint Declaration lays down that "the legislature of the Hong Kong Special Administrative Region shall be constituted by elections." It also prescribes that the executive "shall be accountable to the legislature." There can be no doubt, therefore, that we are destined to be moving firmly in the direction of democracy.

Let me tell you what I believe this democratic goal means for us. It means that your government cannot claim to be any stronger, any wiser, any more determined than the community itself. And in the last resort, it is you—above all, you the community's legislature, the legislature that as the Joint Declaration says, holds the executive accountable—it is you who set the limits to the government's power to protect and strengthen our system.

The democratic ideal, clearly enshrined in the Joint Declaration, means that the community, through its elected legislature, makes the laws that govern it. You are both the rulers and the ruled. That is why democracy is both a high privilege and a heavy responsibility.

I say all this because I believe it to be true. And I say it as well because I am growing to love Hong Kong as you who have created it from rock and scrub love Hong Kong. And I want, as you want, to see Hong Kong as it confidently enters the next millennium under Chinese sovereignty, a blazing beacon of good fortune, a dazzling example of what free men and women, putting adversity and hardship behind them, can together achieve. That is what we want. And that is what we can achieve. All we require is to keep our confidence in the values that bind us into a thriving community. With the courage that has brought success in the past, and the confidence that success has earned, everything is possible. I believe that. And I believe that you believe it, too.

Governor Answers Councillors' Questions

HK0710113293 Hong Kong RTHK Radio Three in English 0630 GMT 7 Oct 93

[Question-and-answer session with Hong Kong Governor Chris Patten in the Legislative Council (Legco) Chamber, moderated by Council President John Swaine—live]

[Excerpts] [Patten] I suggest the Legislative Councillors ask questions directly.

[Swaine] You may now ask questions.

[Andrew Wong] I think the governor's policy address was boring in the first part, but substantial, but the latter part was quite seductive. I would like to ask the governor: During the negotiations, have you considered and have you tried to use a third channel to conduct negotiations? What I mean by this is that the British side would not insist on your original package of proposals and do not insist on some British interpretations of the Basic Law. And if you have not tried this, why didn't you? And in future, or in the coming weeks, as you mentioned weeks yesterday in your speech, the time remaining will be in weeks, so in the coming weeks will you be proposing that the third channel, would this become the only channel that will lead up to successful talks? Thank you.

[Patten] I assume that in categorizing that question I should regard it as seductive rather than boring. [laughter] I am not entirely sure what the honorable gentleman means by a third channel and I wasn't able to detect in what he was saying, a different artifact for trying to get from where we are now to where he and I, and I guess all of us, would like us to be. We have, during the negotiations, shown, I think, on our side of the table, a considerable flexibility and creativity. I set out, not to universal approbation, yesterday, some of the things which the British and Hong Kong colleagues have been prepared to do and say. It's obviously for Chinese officials to say what they have been prepared to do and I am sure that they will say that in due course. But I can assure the honorable member that we have left no stone unturned, save we don't intend to abandon our principles. [passage omitted]

[Stephen Poon] Mr. Governor, in your policy address, you talked about the airport, but most of the things mentioned are done by the Hong Kong Government. You haven't said

much about how you conducted negotiations with China on the airport but we have seen reports which have said that the Hong Kong Government has submitted a new proposal to the Chinese. And one of our members cited the fact that in November there will be an agreement and we have heard reports from somebody that the financial secretary in New York said that financial arrangements shouldn't be a problem. Maybe the Chinese are waiting for a chance to give their consent. Mr. Governor, can you tell us what is the latest proposal from the Hong Kong Government regarding this and what is the response from the Chinese? Is it true that very soon, there will be an agreement?

[Patten] Well, obviously, there is a member of this Legislative Council who knows more about the negotiations over the airport than I do because I am not aware of an imminent agreement, though I pray regularly for one and my prayers are occasionally answered. The situation on the airport is frustrating for the government, frustrating for the public, frustrating for Legislative Councillors, particularly those like the honorable members who have been so involved in the detailed debates about these matters and who know so much about them; and conceivably, who knows, frustrating for some Chinese officials who would like to see us get on with things. If I can summarize where we are, the airport core projects at a cost of 164 billion are well forward. And with the support and under the inquiring scrutiny of this council, we have let 33 contracts at a cost of 45 billion so far—they are going forward on time within the cost agreed. We still, alas, even though we've now completed about a quarter of the platform and ours is the largest dredging fleet in the world, we still haven't hit the jackpot in finding an overall financing scheme which will satisfy the demands and requests, change though they may, of Chinese officials. We have tried maximizing equity investment; we've tried maximizing borrowing; and we are somewhere between the two and I don't think it would be unduly helpful of me to get into too much precise detail about where exactly we stand, because that may provoke the sort of reactions which neither the honorable member nor I would like. And I don't mind particularly anybody knowing where we stand, but there are others who are party to these negotiations who take a rather different point of view. I hope we can get somewhere sooner rather than later. I have gone on saying the same thing I'd thought long enough for people now to believe that I mean this when I say that we don't believe it makes sense to try to turn livelihood issues, issues of infrastructure, into political bargaining chips. If that is being done and it occasionally suggests that it is being, I repeat what everybody in this council and I should think 99.9 percent of people in Hong Kong and Guangdong know perfectly well that Hong Kong is going to have a new international airport—it is going to have a new international airport at Chek Lap Kok. Quite why anybody should regard it as being in their interests that it has that airport later rather than sooner, heaven alone knows.

[James Tien] Governor, in your address to us yesterday, you stressed heavily our relationship with China. Of the importance you put on that. However, you also highlighted

to us the negative side of that relationship. You see the problem with our airport railroad, CT [Container Terminal] 9, JLG's [Sino-British Joint Liaison group] work coming to a halt. On the positive side, you did mention things about the breadth and depth of our relationship, our business relationship with China, and our civil service relationship with them. But personally, Governor, I feel the most important relationship with China is probably that of you, sir, Governor, as the Chief Executive of Hong Kong. Governor, would you please tell us what can you do, or what will you do to improve your personal relationship with China in the next few years to ensure a smooth transition for us after 1997?

[Patten] I have no difficulty having a good relationship with China and Chinese officials. In the previous incarnation, I negotiated at considerable length what I think was the largest concessional financing arrangement that British Government had ever concluded with anybody. I concluded that agreement, that negotiation with China—it was pretty bruising but, at the end of the day, we achieved a satisfactory solution, albeit one which sometimes made feel as though China was giving the United Kingdom the money rather than the other way round. So, I have no difficulty in establishing a good relationship with Chinese officials and I would very much like to have that. But if the only way in which, as it were the Chief Executive of Hong Kong can have a good relationship with China at the moment, is by not standing up for Hong Kong, then I don't think that that is a price which the community would wish me to pay. I think that Chinese officials should recognize that it's in Hong Kong's interest, and in China's interest, in the interest of "one country, two systems" to have a strong government in Hong Kong, to have a strong chief executive who gives a strong lead, and to have a government which stands up for the principles of the Joint Declaration. And the fact that that has provoked a little more controversy than I would have liked over the last year doesn't make me despair of the medium and longer term. The pages of recent political history are littered with the examples of leaders, of politicians outside China, who were denounced up hill and down dale for long periods but transmogrified, through a process of history, without dropping their principles into what I think is called old friends of China. And I speak of my optimism for the future and I suppose I should include that in it, because I think it would be good for Hong Kong. But I repeat, I repeat, and I mean these words very sincerely: I do not believe that the right way to try to construct a good relationship between Hong Kong and China is by failing to stand up for Hong Kong. [passage omitted]

[James To] Mr. Governor, in your policy address, in the beginning, you said that the constitutional reforms you proposed last year, they were in line with the Basic law and the Joint Declaration, and you got the blessing from the Legco and majority support of the community. Unfortunately, in your policy address now, you have admitted that the British side has made major concessions in the talks so that the functional constituencies in the electoral committee for the completion are now vastly different from your original idea. Mr. Governor, you said that your

proposals should be open, fair, and acceptable to the people of Hong Kong. Why is it that you have done this with them against public opinion. If there is no agreement, will you put forward your original proposal, which has been widely accepted, to this council?

[Patten] I hoped that I'd made it clear, not in the least by using the word if twice in my speech yesterday, that the concessions which the British team offered in July and August in the talks in Peking were conditional on an acceptable overall settlement, including acceptable agreed objective criteria for the through train. I want in case there was any doubt about that, and some of the comments which I have heard over the last 12 to 18 hours suggest that some people must have thought I was whispering my if, I just want to make it clear once again that the concessions we put forward were understandably conditional as you would expect in negotiations such as those that we are engaged in. Why did we offer during these talks any change, conditional thought it may be, from our original proposals? For a very simple reason: We would like, if it is possible, to have agreed arrangements for the 94 and 95 elections with the maximum chance, rather than the possible chance, of their survival through 1997 to 1999. I think, unless I have judged the community hopelessly wrongly, I think the community wants fair and open and acceptable arrangements and, if possible, once those arrangements be acceptable to China as well as Britain and Hong Kong. But it may not be possible to arrive at that happy situation. Two other things in the course of which I'll answer the honorable member's interesting last question. First of all, we would not have put forward any proposals in the talks in Peking which we did not think provided open and fair arrangements for elections and I could defend very stoutly, within those principles, the proposals that we have put conditionally on the table. Finally, the honorable member asks me what we will do if we don't have an agreement with China at the talks. I hope the honorable member will regard it as sensible and diplomatic, rather than the behavior of a politician, if I say that I think it would be wrong of me to announce when we are still trying to get an agreement in this talks, what we will do if an agreement didn't transpire. But if we did not get an agreement, I would of course have to take account of the reactions in the community to that and I would have to take account of the past behavior and past debates in the Legislative Council. And I note that the proposals which we originally put forward have been endorsed in general, and in particular by the Legislative Council, admittedly in a general form rather than in a specific legislative form. And I note that not on but virtually every opinion poll there has been has suggested substantial public support and I note that the first opinion poll after my address yesterday suggested that, I think, 68 percent of the people of Hong Kong were, broadly speaking, in favor of the approach that we have suggested to political development and 19

were against. And 68 to 19, or even a rather smaller majority than that, seems to me like quite a big steer but we will have to take account of those issues. What I will want to do, what the government will want to do, what the

United Kingdom Government will want to do at the end of the day, if we cannot get that agreement which we would all like to get, is to put in place the arrangements which are most acceptable to the people of Hong Kong and therefore to this Legislative Council. There is no other way we can proceed but I can assure the honorable member that we will give a firm and clear lead when those matters come before the council, if they do. I say again, we hope that we can get an agreement but, before very long, hope is going to drain into the sand. [passage omitted]

[Ngai Shiu-kit] Mr. Governor, in your policy address, paragraph 183, you said, and I quote: "If we are not prepared to stand up for Hong Kong's way of life today, what chance of doing so tomorrow?" Unquote. Mr. Governor, what do you mean by these remarks? Are you casting doubt on the Chinese side's sincerity in implementing the Joint Declaration? Are you implying that the Chinese side does not have the sincerity to guarantee that our special way of life will remain unchanged for 50 years?

[Patten] Well, let's say that it's part of my responsibility to do all I can as governor, as head of the Hong Kong Government before 1997, to ensure that the firmest possible foundations are laid for the implementation of the Joint Declaration after 1997. I don't cast doubt on Chinese intentions. Sometimes the language of advisers to China casts doubt on those intentions. I think some of the things which have been said by members of the so-called PWC [Preliminary Work Committee of the Special Administrative Region] have been quite astonishing and I hope they don't represent the thinking of mainstream Chinese officials. I think that it is also the case that since, at the heart of the Joint Declaration is the commitment to a legislature formed by elections, the executive accountable to the legislature, some of the debates we have had about our determination to ensure that those elections are fair, does raise questions about the comprehension of some people about what it is that Hong Kong's way of life comprises. So, I think that it is important for Hong Kong's future to stand up for Hong Kong's way of life today. I have long felt that and I would be surprised if many members of this Council didn't feel it as well. [passage omitted]

[Man Sai-cheong] Mr. Chairman, freedom of the press and freedom of speech are very important as the cornerstone of a democratic society. In Paragraph 15, Mr. Governor, you said that in an open society, we will not keep unnecessary secrets. And then, in Paragraph 113, you emphasized that it is very important to protect personal freedom, and liberty, and press freedom. If that is true, how come you only talk about disclosing public information without telling us whether you have new measures to protect press freedom more, for example, to release more information on some government information. Now there are ordinances curbing press freedom; will you relax or repeal these laws to win the support of the journalists? Thank you.

[Patten] As a former politician, I am sure the honorable member will know that the last thing I have to seek to do is to win support from journalists. The honorable member

made an important point. We have been reviewing with the Journalists' Association, pushing it and spurring it on. We have been reviewing all those laws, those ordinances in Hong Kong, which, not just journalists, but many others outside the journalist profession, believe may either be potentially in conflict with the bill of rights, or may be actually in conflict with the bill of rights. All may be unhealthy in relation to the implementation of the Joint Declaration in the future. We have tried to respond to the Journalist's Association as constructively as possible. The Journalists' Association would like us to go further. We hope to have a continuing dialogue with the chairman, the chair of the Journalists' Association, and others about what further they would like us to do and, I think, the proposals we've put forward so far are sensible. But I am perfectly prepared to be persuaded to go further. Where there is an issue, a genuine issue of principle, what separates some of us is whether we should have general declaratory legislation on the statute book about freedom of information. And, as I think the honorable member and now all honorable members will know, I am dubious about general declaratory legislation, though I am enthusiastically in favor of opening up government in specific areas for specific purposes. [passage omitted]

[Teng Siu-tong] Mr. Governor, in your policy address yesterday, you talked about the progress in the JLG, said that there was not much progress on issues such as CT9, the ACP [Airport Core Program], and so on. Mr. Governor, I have a question for you. What do you think are the reasons for the lack of progress and how would you propose to solve the problem about the issues talked about at the JLG, some of them related to people's livelihood. And, do you think livelihood issues are more important or political reform?

[Patten] Well, I think that if we were to abandon the principle which we have discussed so frequently about the electoral process, it would undermine this council in its role, it would undermine the notion of an executive accountable to the legislature, it would undermine the rule of law, and would, therefore, inevitably and certainly and massively have an effect on the stability of this community and an effect on its prosperity as well. And I feel those things very strongly. The honorable member asks why we don't make more progress in the JLG, why we haven't already had an agreement about the airport, and the container terminal. I just say in passing where else in the world, where else in the world, do the foreign secretaries, do senior ministers and officials sit down, spending their time arguing about airport and container terminals? Where? And why do they do it? Why did that have to happen? Does anybody seriously think that the Hong Kong Government, or the British Government, is trying to slow up progress on the airport? Does anybody seriously think it is in the interests of the Hong Kong Government or the British Government to slow up progress on the container terminal? Does anybody think it in our interests not to make the sort of progress we would like with the localization of the laws, with investment protection and promotion agreements, with air service agreements, and so on. The paradox, the paradox is that there is no specific British

interests in securing agreement on these matters, except as I said yesterday that we would like while we are sovereign in Hong Kong, to govern Hong Kong as decently and competently as possible. We would like to leave Hong Kong in 1997 with a job as well done as we can conceivably do it. And that is, in a sense, an interest. But it is not the same sort of interest which China presumably has in working 24 hours a day, seven days a week, as she should be wishing to do for the betterment of the people of Hong Kong and for the livelihood of the people of Hong Kong. That should be something that we all share. So I repeat, I repeat, as firmly as I can, the British Government, the Hong Kong Government, are not dragging their feet in the JLG. Does anybody seriously suppose that Ambassador Galsworthy and his team didn't want to make as much progress as possible? Ambassador Galsworthy was a great ornithologist but he would prefer to spend more time in meetings with the JLG than in Mei Po, much as he enjoyed Mei Po. It is important for everyone to recognize that these matters require agreements on both sides of the table. On our side of the table, we are anxious to reach agreement as rapidly and as comprehensively as possible. I can't speak for what the views are on the other side of the table.

[Swaine] The meeting is adjourned.

Reaction to Patten's Policy Address

XINHUA Views Speech

OW0710013393 Beijing XINHUA Domestic Service in Chinese 1518 GMT 6 Oct 93

[Text] Hong Kong, 6 Oct (XINHUA)—Today, Hong Kong Governor Patten, who has been governor for a year, delivered his second policy address.

Entitled "Lay the Foundation Today and Develop Tomorrow" and consisting of 20 chapters, the address covered issues concerning economic, social, and constitutional development.

On 7 October 1992, Patten delivered his first policy address after assuming the governorship. At that time, spokesmen from XINHUA NEWS AGENCY's Hong Kong branch, the Hong Kong and Macao Affairs Office, and the Ministry of Foreign Affairs, all of whom come under China's State Council, successively pointed out: Without prior consultations with the Chinese side, the British side unilaterally published "political reform proposals" in its policy address that introduce major changes to Hong Kong's existing political system. Such a move runs counter to the Sino-British Joint Declaration, the principles of converging with the Basic Law, and the understandings and agreements already reached between China and Britain. It purposely provoked open arguments between China and Britain. People from various sectors in Hong Kong also expressed solemn and just criticisms in this regard.

However, the 37-page address delivered today once again repeated the contents of 1992's "political reform proposals," and it added that "principles will not be discarded for the sake of signing an agreement."

In his policy address, Patten indicated: "We should be able to reach an agreement with the Chinese Government." However, people in Hong Kong, including those from the mass media, have noticed a subsequent statement in the address which stresses "we have only a few weeks, not months, left before the end of the talks." This statement made people doubt his sincerity.

Responding to the policy address this evening, the Democratic Alliance for the Betterment of Hong Kong said, "We regret that the governor of Hong Kong is sticking to his views on the arrangements for the 1994-95 elections."

The outstanding issue regarding the new airport was also mentioned in the policy address. A Hong Kong financier expressed his concern that enormous costs would lead to an economic imbalance and even to continued increases in Hong Kong's inflation rate.

Urged To Act in 'Good Faith'

OW0710085393 Beijing XINHUA in English 0828 GMT 7 Oct 93

[Text] Hong Kong, October 7 (XINHUA)—Local public figures and newspapers, in response to Governor Chris Patten Wednesday's policy address, today criticized him for adhering to his political bill which had caused controversy between China and Britain.

The newspaper WEN WEI PO in its editorial criticized Patten for creating a new obstacle for the current Sino-British talks by saying "we now have only weeks rather than months to conclude these talks," and "we are not prepared to give away our principles in order to sign a piece of paper."

"Patten is trying to exercise pressure on the Chinese side, sabotage the Sino-British talks and try to carry out his political bill," the editorial said, adding "this revealed his attempt again to undermine the Sino-British cooperation and Hong Kong's smooth transition."

The MING PAO daily news said in its editorial that Patten's policy address reflected his readiness to take unilateral measures in case no agreement is reached between China and Britain in a short period.

Tsang Yok-sing, chairman of the Democratic Alliance for the Betterment of Hong Kong, said Patten, while stressing the urgency for the election arrangements, owes the public an explanation why the 1994 district board elections cannot be separated from 1995 Municipal Council and Legislative Council elections.

The Hong Kong Federation of Trade Unions in a statement said that the governor failed to listen to the public opinion to solve the political controversy in accordance with the Sino-British Joint Declaration and the Basic Law of the Future Hong Kong Administrative Region.

Liu Yiu-chu, deputy to the Chinese National People's Congress, said that the governor sidestepped the fact that his political bill represented a breach of faith, for which the failure of Sino-British talks should be blamed.

"However," Liu said, "Patten shift the blame onto others and stick to his bill in his policy address. In the circumstances, the Sino-British talks cannot bear fruits," she said.

Asked about his comment on the policy address, Zhang Junsheng, deputy director of XINHUA NEWS AGENCY Hong Kong branch, said that Patten vowed to improve relations with the Chinese side in his policy addresses last year and this year, but the Sino-British relations deteriorated instead of being improved over the past year.

Zhang urged Patten to act in good faith and cooperate with the Chinese side on the "three principles"—the Sino-British declaration, the Basic Law of the Future Hong Kong Special Administrative Region and the agreements reached between China and Britain.

XINHUA Official: More 'Little Tricks'

HK0710025893 Hong Kong *THE STANDARD* in English 7 Oct 93 p 1

[Report by Rain Ren]

[Text] China reacted sharply to Governor Chris Patten's policy address, summing it up as more "little tricks".

Beijing's official mouthpiece and de facto embassy in Hong Kong, the Xinhua News Agency, reacted within minutes of Patten's policy address accusing Britain of setting a four-week deadline on the Sino-British negotiations.

Xinhua officials, peeved at receiving a copy of the policy address only several hours in advance, said Sino-British relations were deteriorating.

Local Xinhua spokesman Zhang Junsheng said Patten had breached his own undertaking to co-operate with China.

"One year has elapsed. But not only has the relationship between the two countries not improved, but it is just deteriorating," he said.

"If Patten wants co-operation with China, I advise him not to play such little tricks any more."

Zhang also accused Britain of setting a deadline for agreement on the 1994-95 electoral arrangements.

"If the British side goes back to the basis of the three accords (existing Sino-British agreements), of course the issue can be settled within weeks," he said. "But should Britain stick to its course, I do not know whether the result will be satisfactory to him."

A 13th round of Sino-British negotiations will begin in Beijing on Monday.

A British source said another two rounds of talks would be held this month.

The source said if no substantial progress could be made during those talks, Britain would have to make a final decision on whether to abandon the negotiations when Patten met British Prime Minister John Major and Foreign Secretary Douglas Hurd next month.

A source close to Beijing insisted that if the talks failed China could still achieve a smooth transfer of power in 1997.

"If there is no agreement China is confident it can maintain Hong Kong's prosperity and stability in its own way," he said.

Relations Said 'Impaired'

HK0710043693 Hong Kong *WEN WEI PO* in Chinese 7 Oct 93 p 2

[Report: "Zhang Junsheng Urges Hong Kong Governor To Take Action To Honor His Commitment To Improve Relations With China"]

[Text] Asked by reporters to comment on the Hong Kong governor's policy address yesterday afternoon, Zhang Junsheng, XINHUA NEWS AGENCY Hong Kong branch deputy director, said: Chris Patten stated in the policy addresses both last year and this year his intention of improving relations with the Chinese side in cooperation and consultations. However, such relations have not been improved, but impaired over the past year. Zhang hoped that Chris Patten would not only spell out his commitment in words but also honor it with actual deeds.

Zhang Junsheng was interviewed by a crowd of reporters surrounding him during the inaugural ceremony of the law firm Helen Chung and Company yesterday. Zhang Junsheng said: Chris Patten did say in his policy address last year that he hoped to strengthen relations with the Chinese side in cooperation and consultations. Nevertheless, Sino-British relations have not been improved, but impaired over the past year. Chris Patten repeated in his policy address yesterday that he sets much store by Sino-British relations. People are waiting to see whether he really means it. The Chinese side hopes that he will honor his commitment with actual deeds, not just spell it out in words.

Zhang Junsheng cited a saying of the Chinese sage Confucius—"I do not know how a man without truthfulness can carry on"—to stress that the Chinese very much value sincerity and faithfulness. He hoped the British side would truly return to the basis as prescribed by the Sino-British Joint Declaration, the principle of convergence with the Basic Law, and the agreements and understandings previously reached between China and Britain, so as to improve the cooperative relations between China and Britain during the late transitional period.

Referring to Chris Patten's statement in his policy address that there are only weeks rather than months left for the Sino-British talks to conclude, Zhang Junsheng said: If the British side really wishes to resolve the problems within weeks, as stated by Chris Patten, then it should conscientiously return to the basis of "three conformities." But, if the British side is still going to stick to the stand of "three violations," as upheld by Chris Patten, as it has in the past 12 rounds of talks, then whether Patten's wish can be fulfilled is unknown. Zhang reiterated that the Chinese side has always wished to see an agreement concluded as soon as possible.

Chris Patten also disclosed in his policy address that in the negotiations the British side had made a new offer which provided for some revisions to the original proposals. Zhang Junsheng made no comment on this, but said the principle of secrecy must be observed with regard to the Sino-British talks.

Zhang Junsheng also denied Chris Patten's accusation that the Chinese side is responsible for the slow progress in the work of the Sino-British Joint Liaison Group [JLG]. It is known to all that the blame does not lie on the Chinese side, he said. In fact the Chinese side hopes to see more progress in the work of the JLG.

Zhang Junsheng also told reporters that the XINHUA NEWS AGENCY Hong Kong branch did not receive a copy of the policy address until midday yesterday, but the Hong Kong and Macao Affairs Office had received one the day before yesterday. He thought this arrangement by the Hong Kong Government was very inappropriate, because the printing of the policy address was already finished the day before yesterday. If the British side wishes to be on good terms and cooperate with the Chinese side, it should not have played a little trick like this, he said.

Address Not 'Positive'

HK0610145193 Beijing ZHONGGUO XINWEN SHE
in Chinese 1330 GMT 6 Oct 93

[By reporter Ke Yan (0668 0917)]

[Text] Hong Kong, 6 Oct (ZHONGGUO XINWEN SHE)—Today, Tam Yiu-chung, vice chairman of the Democratic Alliance for the Betterment of Hong Kong, said here that Hong Kong Governor Patten's policy address did not express a positive attitude toward improving Sino-British relations; instead, he mentioned the time limit for the talks on Hong Kong's political structure and thus set a new obstacle for the Sino-British talks. He hoped that Patten will not continue to set new obstacles and will create a benign atmosphere for the talks.

The Democratic Alliance for the Betterment of Hong Kong held a news conference to comment on the governor's policy address and mainly criticized the part on the political structure. Tsang Yuk-shing, chairman of the alliance, pointed out: The governor said that he had learned a lesson from coming into contact with the Chinese Government but, in fact, Patten did not really understand this lesson. As compared with his policy address last year, Patten this time talked more about the close relationship between Hong Kong and China and about the importance of such a relationship for Hong Kong. He also stressed that he hoped for success in reaching agreement in the Sino-British talks and hoped for improvement of Sino-British relations. On the other hand, however, he also stressed the limitation of the time for the talks. In fact, such urgency is not convincing because the legislative procedures for the relevant elections will not be completed until July 1994. Such contradictory remarks absolutely do not serve the purpose of creating favorable conditions for the Sino-British talks.

Tsang said: The Democratic Alliance for the Betterment of Hong Kong also noted that Patten mentioned his work in the past year did not fulfill his desire to build close relations with the Chinese side as he emphasized when he took office. Patten placed the blame on the Chinese side. Tsang said that on this point, Patten distorted the Sino-British and China-Hong Kong relationships. Patten himself cannot shirk his responsibility for the present deadlocked Sino-British relationship.

Ching Kai-nam, secretary general of the alliance, said that Patten mentioned the need to quicken the work process of the Sino-British Joint Liaison Group in his policy address but he did not examine his own responsibility. Facts show that, at present, the mutual trust between China and Britain has been damaged by Patten.

Patten Singing 'Same Old Tune'

HK0610151393 Beijing ZHONGGUO XINWEN SHE
in Chinese 1329 GMT 6 Oct 93

[By reporter Xia Yuhua (1115 1342 5478)]

[Text] Hong Kong, 6 Oct (ZHONGGUO XINWEN SHE)—Today, Hong Kong Governor Chris Patten delivered his policy address, the second since he assumed the post, continuing to peddle his constitutional reform package and attempted to set a deadline for Sino-British talks which are still underway.

On the last occasion, 7 October, without consulting the Chinese side, Patten gave a policy address that ran counter to the Basic Law, the Sino-British Joint Declaration, and the understandings and agreements reached between China and Britain. It started a protracted argument over the political system and seriously hampered Sino-British cooperative relations. Despite the serious criticisms of his political reform proposals by people of all sectors in China and Hong Kong over the past year, Patten still stubbornly sticks to his stance. In today's policy address, he continued to defend his political reform proposals and sang the same old tune. He said that his political reform proposals are to ensure the various elections in 1994 and 1995 are open, fair, and acceptable to the community of Hong Kong, and that they do not run counter to the Basic Law.

Patten considers his political reform proposals the aspirations of the Hong Kong community for political development. He said that the "extraordinarily modest aspirations for political development are legitimate, that they deserve to be met, that they are part of the natural evolution of an increasingly mature and sophisticated society, and that they are, in a sense, a condition of our continuing success as a great international trading community."

Patten mentioned the "through train" issue in his policy address by claiming: "We shall also continue to seek from the Chinese Government an agreement on setting objective criteria for the "through train" so that those who are interested in running for the Legco [Legislative Council] seats in the 1995 election and participating in the voting will know the rules of game well before the election."

Patten tried to set a deadline for the ongoing Sino-British talks in his policy address. He claimed: "We have only a few weeks and not a few months left before the talks come to an end."

With regard to the proposal made by Hong Kong social figures that the electoral arrangements for the 1994 District Board election and the 1995 Urban Council and Legco elections be separated, Patten said: "The suggestions concerning these elections are mutually related. They must be discussed at the Sino-British talks in the form of a complete set."

Patten said: "We will continue to do all we can to reach an agreement. We believe that China and Britain are able to reach an agreement that will take the issues concerned by both sides into consideration." But he said at the same time: "However, we will not give up our principles just for signing an agreement," and "indeed, we have not much room for changes."

Press Editorial Comment on Patten's Address

Called 'Politician's Speech'

HK0710035593 Hong Kong SOUTH CHINA
MORNING POST in English 7 Oct 93 p 18

[Editorial: "Endgame Approaches"]

[Text] As the weeks and months tick by, hope becomes a little shadowed by reality.

—Governor Chris Patten

The battle to bring a greater measure of democracy to Hong Kong's legislature is now nearing the endgame and that means difficult and dangerous times lie ahead for the people of the territory. The Governor yesterday, in his policy address to the Legislative Council [Legco], ritually offered the hope that an agreement with China was still possible on his electoral reform proposals. But the thrust of his extensive remarks on relations with China was that after 12 rounds and 100 hours of talks, accord with China remained a distant goal. The heady hopes of 12 months ago, when Mr Patten unveiled his plans, had indeed been flattened by the reality of China's opposition.

Mr Patten went out of his way not to set a firm deadline for agreement in the Sino-British talks on the electoral arrangements for 1994 and 1995. "Weeks rather than months" was as close as he would come to setting a time limit. Nor did he reveal more of the substance of the talks than had already appeared in the news media over the summer. Britain had made concessions on both the functional constituencies and the election committee but would not compromise on the through train.

We are not prepared to give away our principles in order to sign a piece of paper. What would that be worth?

—Chris Patten

Yet he left no doubt about his frustration at the way the talks have been going, or about his determination not to continue the talks indefinitely. He dismissed the option of

reaching an agreement with China that would not offer fair and open elections. It would be worthless for Britain to throw away that principle for the sake of any old agreement.

When he first set out his proposals, Mr Patten made it clear he wanted Legco to take responsibility for voting the electoral arrangements into law, amending or rejecting them.

At that time, Mr Patten still believed accommodation could be reached with China. Legco would only have to agree to a package which it believed both Hong Kong and China would find tolerable. Yesterday's speech appeared to prepare the ground for what Mr Patten, as a politician, may regard as an honourable retreat.

For all the passion and principle of his stand, he delivered a politician's speech, offering himself two layers of protection should the moment come to go it alone. First, he put the responsibility on the people of Hong Kong to stand up for democracy. Then he put the onus on Legco to support the principle. Without either level of backing, greater democracy would not be possible. Which is code for saying that if the proposals are lost, Chris Patten will not be to blame.

I must and will stand up for our system ... (But) the Government can only defend that system, that way of life, with the community's support.

—Chris Patten

The Governor's challenge to China is to recognise the legitimate aspirations of Hong Kong. The talks are continuing and, recognising that China has no reason to move while it can still use time as a negotiating tactic, an agreement is always possible at the last moment. But should China continue to reject a compromise, Mr Patten should follow the logic of his stand of the past 12 months and table his proposals in Legco.

Legco is, it should be said, an unsatisfactory body to be deciding on a matter of such basic importance to Hong Kong and to its most critical relationship—that with China. Only partly elected, it is not a representative body able to speak on behalf of the people. It is, however, the only body able to claim any popular legitimacy. It is a poor substitute for a democratic parliament, but it is the only "parliament" Hong Kong has.

Free and fair elections are important to helping ensure accountability of government and the maintenance of the rule of law and civil freedoms. If Mr Patten's proposals go to Legco, it may support them. Or the majority may decide that harmonious relations with China are of overriding importance. This could be the most difficult choice legislators will ever face.

'Single Topic' Governor

HK0710055893 Hong Kong WEN WEI PO in Chinese
7 Oct 93 p 2

[Editorial: "A Policy Address That Still Insists on 'Three Violations'"]

[Text] Chris Patten delivered his second policy address yesterday, explaining economic and livelihood issues in the first part, and constitutional development in the second part. This framework looks more or less like the one last year; however, the way the policy address dwelled on the livelihood issue is one thing; whether Patten ignores the people's livelihood and uses all his energy to promote political reform is another. Patten is a "single topic" governor; he is only interested in political reform and confrontation with China. Before delivering his second policy address, he had already arranged a trip to London in early November, to decide with the cabinet to unilaterally table his political reform package to the Legislative Council; then he will visit West European countries in the middle or at the end of November to promote his political reform package in the international community, to fight for support, and to guide Hong Kong in the "international asset" direction for development. All these arrangements are the "just do it" aspect of Patten, who did not explain or report to the residents.

Although Patten did not announce the details of the Sino-British talks on the political reform issue, he did announce two new proposals put by the British side, that is, individual votes rather than corporate votes would be upheld for functional constituencies (the British side insists on direct elections in a disguised form, amending the original definition of functional constituency elections), and the Election Committee would have all its members returned by elections (under this arrangement, the four groups of members stipulated by the Basic Law might not emerge in 1995). He claimed that "we shall stick to our principles," and "our room for maneuver is limited." That is to say, the British side made some proposals which cannot converge with the Basic Law, and said that they cannot be amended. This is far removed from the principle of three conformities, undoubtedly creates a new obstacle to the Sino-British negotiations, and is not helpful to reaching an agreement. What shocked Hong Kong people most was that Patten set a "deadline for talks." He said that "we now have weeks rather than months to conclude these talks," and "we are not prepared to give away our principles in order to sign a piece of paper." The time limit of several weeks also vindicates a report carried by the pro-Conservative DAILY TELEGRAPH, which said the British cabinet would convene a meeting in early November to decide whether to submit Patten's political reform package to the Legislative Council or amend it.

On 12 March, Patten brazenly gazetted his package, a trick which was identical in purpose to his saying "we now have weeks rather than months to conclude these talks" in his second policy address, that is, to exert pressure on China, using the "time limit card" as a strategy based on the Solomon Report, and to drum up support as he undermines the talks and unilaterally promotes political reform. This again reveals that Patten is unwilling to abandon his package and that he would undermine Sino-British cooperation and a smooth transition in order to keep it.

In his policy address, Patten flatly rejected the Hong Kong people's suggestion that the 1994 District Board elections,

about which there is less dispute, should be settled first; he stressed that the 1994-95 electoral arrangements are inseparable and must be made at the same time in November. This kind of tough confrontation method is not conducive to solving problems; it can only create more difficulties and an impasse.

Patten also pushed the Legislative Council into "an awkward position," hinting that it has to prepare for a decision on the future of his package. In his policy address he told legislators: "I cannot claim to be any more determined than you," "and in the last resort, it is you—above all, you the community's legislature—it is you who set the limits to the government's power to protect and strengthen our system," "you are the rulers," and democracy "is also a heavy responsibility." The meaning of these words is that when Patten submits his "three violations" package to the Legislative Council, the Legislative Council must make a choice. In this way, Britain shirks the obligation for a smooth transition stipulated by the Joint Declaration; effortlessly, it shirks all its responsibilities. At the same time, it creates a false phenomenon in which the legislature is superior to the administration and the Legislative Council determines the future of Hong Kong. This is absolutely unfair. It is Patten who has unilaterally formulated the political reform package, and it is Patten who has unilaterally decided to "conclude talks in weeks," while the people of Hong Kong are kept completely in the dark. Patten is the one to be held responsible for creating turbulence. How can he make the Legislative Council a scapegoat after creating a mess, and ask it to shoulder the "heavy responsibility?"

In his previous policy address, Patten talked eloquently about "strengthening Sino-British cooperation" and "strengthening relations with the Chinese side," but everyone knows that his words contradict his deeds, and that he vigorously seeks confrontation and undermines bilateral relations. In the current policy address, again he talked lavishly about "speeding up the work of the Joint Liaison Group [JLG]" and "strengthening Sino-British cooperation." People cannot but ask: Why, instead of bringing his political reform package to the JLG for discussion a year ago, did Patten unilaterally announce the package in his policy address to the extent of undermining cooperation? Why must the British side stall on implementing the agreement on the Court of Final Appeal reached by the JLG? Why has "work stopped"? No matter how he tried in his policy address to defend himself and blame others for undermining Sino-British cooperation and setting up obstacles to the work of the JLG over the past year, Patten could not dress himself up as an "enthusiast" for Sino-British cooperation; on the contrary, he let the people of Hong Kong see clearly that a politician's words and propaganda are not his actions. This year, he again talked about "strengthening Sino-British cooperation." Well, it will do no harm for the people of Hong Kong to "listen to his words while watching his deeds."

Bill of Rights Likely To Be Replaced After 1997

HK0410010393 Hong Kong THE SUNDAY
STANDARD in English 3 Oct 93 p 3

[Report by Jeanette O'Shea]

[Text] Hong Kong's fledgling Bill of Rights is likely to be replaced with a chapter on "fundamental rights", a provision included in the territory's post-1997 Basic Law and based on China's constitution. Leading academics believe the replacement could put an end to the proposed Special Administrative Region and the "one country, two systems" that is supposed to guarantee Hong Kong's stability for 50 years.

Senior law lecturer at the University of Hong Kong, Nihal Jayawickrama, said: "There are provisions in the Basic Law which provide for the Standing Committee of the National People's Congress (NPC) to strike down existing laws they think are incompatible with the Basic Law. You can argue that they are not, but how do you argue before the NPC's standing committee?"

Last week, a leading member of Beijing's post-1997 shadow government for Hong Kong confirmed that the bill would likely be scrapped. Hong Kong's convener of the Beijing group's legal sector, Simon Li, said the bill would be added to the group's agenda because it outranked all other local laws. He said: "Common law and all the ordinary ordinances would sufficiently protect human rights." Li's comments followed a meeting of a new group entitled the Preliminary Working Committee (PWC). Li, who chaired the Basic Law drafting committee, said the PWC believed its chapter on fundamental rights provided adequate protection for the rights of individuals.

At the time, leading academics proposed the drafting committee should have adopted the international covenant as a model. The Chinese constitution was used instead. A leading human rights lawyer, who declined to be named, said the proposal to scrap the bill was "a direct challenge to the authority of the Legislative Council".

"How can the common law system, supposedly protected in the Joint Declaration, survive for the (agreed) 50 years until 2041?"

PRC Official To Visit for Basic Law Education Drive

HK0410005893 Hong Kong SOUTH CHINA SUNDAY MORNING POST in English 3 Oct 93 p 4

[Report by Quinton Chan]

[Text] A top Chinese official is expected to visit the territory later this month to launch a campaign aimed at educating the public about the Basic Law. The deputy director of the State Council's Hong Kong and Macao Affairs Office [HKMAO], Chen Ziyang, is likely to come in place of his superior, Lu Ping.

The news comes despite repeated invitations from Governor Chris Patten to Mr Lu to visit the territory. But the HKMAO director has said he will not come to Hong Kong before the Sino-British dispute over political reform has been settled.

Mr Chen is expected to arrive in the territory on October 20. While here, he may informally meet Government officials, including Secretary for Constitutional Affairs Michael Sze Cho-cheung, who is guest of honour at an exhibition on the Basic Law to be held in the Convention and Exhibition Centre. Other guests will include Zhou Nan, director of XINHUA (the New China News Agency), and Secretary for Home Affairs Michael Suen Ming-yeung. It will be the first time Mr Chen has come to the territory since the political dispute erupted last October.

According to Hong Kong affairs adviser Cheng Kai-nam, the organisers had sent an invitation to Mr Chen but had yet to receive a reply. "But there should be no problem," he said.

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